

PHILLIPS, HAGER & NORTH FUNDS

# **2017 Annual Financial Statements**

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The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the 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, 2018



**Heidi Johnston, CPA, CA**

Chief Financial Officer

RBC GAM Funds

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 Canadian Bond Index Fund  
 (formerly, RBC Advisor Canadian Bond Fund)  
 RBC Canadian Government Bond Index Fund  
 RBC Bond Fund  
 RBC Vision Bond Fund  
 (formerly, Phillips, Hager & North Community Values Bond 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  
 RBC Emerging Markets Foreign Exchange Fund  
 RBC Emerging Markets Bond Fund  
 RBC Emerging Markets Bond Fund (CAD Hedged)  
 BlueBay Global Monthly Income Bond Fund  
 BlueBay Global Sovereign Bond Fund (Canada)  
 BlueBay Global Investment Grade Corporate Bond Fund (Canada)  
 BlueBay European High Yield Bond Fund (Canada)  
 BlueBay Emerging Markets Corporate Bond Fund  
 BlueBay Global Convertible Bond Fund (Canada)  
 BlueBay \$U.S. Global Convertible Bond Fund (Canada)  
 RBC Managed Payout Solution  
 RBC Managed Payout Solution – Enhanced  
 RBC Managed Payout Solution – Enhanced Plus  
 RBC Monthly Income Fund  
 RBC U.S. Monthly Income Fund  
 RBC Balanced Fund  
 RBC Global Balanced Fund  
 RBC Vision Balanced Fund  
 (formerly, 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 Target 2035 Education Fund  
 RBC Canadian Dividend Fund  
 RBC Canadian Equity Fund  
 RBC QUBE Canadian Equity Fund  
 RBC QUBE Low Volatility Canadian Equity Fund  
 RBC Trend Canadian Equity Fund  
 RBC Vision Canadian Equity Fund  
 (formerly, 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  
 RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund  
 RBC U.S. Mid-Cap Value Equity Fund  
 RBC U.S. Small-Cap Core Equity Fund  
 RBC U.S. Small-Cap Value Equity Fund  
 RBC O'Shaughnessy U.S. Growth Fund  
 RBC O'Shaughnessy U.S. Growth Fund II  
 RBC 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 Vision Global Equity Fund  
 (formerly, RBC Jantzi Global Equity Fund)  
 RBC Vision Fossil Fuel Free Global Equity Fund  
 RBC O'Shaughnessy Global Equity Fund  
 RBC QUBE All Country World Equity Fund  
 RBC QUBE Low Volatility All Country World Equity Fund  
 RBC Global Energy Fund  
 RBC Global Precious Metals Fund

RBC Global Resources Fund  
 RBC Global Technology Fund  
 RBC Private 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 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 Dividend Income Fund  
 Phillips, Hager & North 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 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

(collectively referred to as the "Funds")

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We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position, comprehensive income, cash flows and changes in net assets attributable to holders of redeemable units as at and 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained in each of our audits 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, financial performance and cash flows of each of the Funds as at and for the periods indicated in note 2, in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 8, 2018

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH CANADIAN MONEY MARKET FUND**

December 31, 2017

Par Value (000s)	Security	Cost/ Fair Value	% of Net Assets
<b>BANKERS ACCEPTANCES AND BANK OBLIGATIONS</b>			
12 750	Bank of Montreal	\$ 12 736	
122 950	Bank of Nova Scotia	122 614	
24 500	Canadian Imperial Bank of Commerce	24 662	
83 090	HSBC Bank Canada	82 882	
27 925	National Bank of Canada	28 141	
57 675	Toronto-Dominion Bank	57 386	
		<u>328 421</u>	<u>18.6</u>
<b>COMMERCIAL PAPER</b>			
32 350	AltaLink LP	32 406	
74 140	Banner Trust	73 820	
83 340	Bay Street Funding Trust - Class A	82 861	
50 550	Caisse Centrale Desjardins	50 388	
79 350	Canadian Master Trust - Series A	78 907	
35 100	Caterpillar Financial Services Ltd.	35 062	
61 400	Clarity Trust	61 067	
50 000	Enbridge Pipelines Inc.	49 944	
49 800	Fusion Trust	49 487	
20 000	Gaz Metro Inc.	19 943	
46 085	Greater Toronto Airport Authority	45 996	
21 575	Honda Canada Finance Inc.	21 410	
44 000	Husky Energy Inc.	43 919	
46 910	Inter Pipeline Corridor Inc.	46 762	
83 320	King Street Funding Trust	82 942	
35 950	Lower Mattagami Energy LP	35 913	
60 825	Merit Trust - Senior Notes	60 581	
3 500	Nestlé Capital Canada Ltd.	3 491	
50 050	Nissan Canada Financial Services Inc.	49 987	
50 675	Nova Scotia Power Inc.	50 616	
6 500	OMERS Realty Corp.	6 493	
66 100	Prime Trust - Senior Notes	65 925	
59 725	Ridge Trust	59 424	
35 868	SAFE Trust - Series 1996-1	35 715	
66 890	SOUND Trust	66 575	
71 792	SURE Trust	71 463	
46 600	TMX Group Ltd.	46 494	
76 510	Zeus Receivables Trust - Senior Notes	76 144	
		<u>1 403 735</u>	<u>79.7</u>
<b>TOTAL INVESTMENTS</b>		<u>1 732 156</u>	<u>98.3</u>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>		<u>29 171</u>	<u>1.7</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>		<u>\$1 761 327</u>	<u>100.0</u>

Investments, which are grouped by issuer, earn interest at rates ranging from 1.04% to 1.70% and mature between January 2, 2018 and September 5, 2018.

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 2017	December 31 2016
<b>ASSETS</b>		
Investments at fair value	\$ 1 732 156	\$ 1 247 705
Cash	52	9
Subscriptions receivable	30 876	13 196
Dividends receivable, interest accrued and other assets	2 872	2 137
<b>TOTAL ASSETS</b>	<b>1 765 956</b>	<b>1 263 047</b>
<b>LIABILITIES</b>		
Redemptions payable	4 305	1 864
Distributions payable	135	53
Accounts payable and accrued expenses	189	145
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>4 629</b>	<b>2 062</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 1 761 327</b>	<b>\$ 1 260 985</b>
Investments at cost	\$ 1 732 156	\$ 1 247 705
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 4 843</b>	<b>\$ 5 216</b>
<b>ADVISOR SERIES</b>	<b>\$ 1 013</b>	<b>\$ 1 433</b>
<b>SERIES D</b>	<b>\$ 348 026</b>	<b>\$ 248 646</b>
<b>SERIES F</b>	<b>\$ 4 301</b>	<b>\$ 2 706</b>
<b>SERIES O</b>	<b>\$ 1 403 144</b>	<b>\$ 1 002 984</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>ADVISOR SERIES</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>SERIES D</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>SERIES F</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>SERIES O</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>

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

For the periods ended December 31 (see note 2 in the generic notes)	2017	2016
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 16 292	\$ 12 724
<b>TOTAL INCOME (LOSS)</b>	<b>16 292</b>	<b>12 724</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	1 407	1 625
Administration fees	381	383
Independent Review Committee costs	3	2
GST/HST	155	162
<b>TOTAL EXPENSES</b>	<b>1 946</b>	<b>2 172</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 14 346</b>	<b>\$ 10 552</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 28</b>	<b>\$ 21</b>
<b>ADVISOR SERIES</b>	<b>\$ 6</b>	<b>\$ 10</b>
<b>SERIES D</b>	<b>\$ 1 616</b>	<b>\$ 1 292</b>
<b>SERIES F</b>	<b>\$ 34</b>	<b>\$ 15</b>
<b>SERIES O</b>	<b>\$ 12 662</b>	<b>\$ 9 214</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.06</b>	<b>\$ 0.04</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.06</b>	<b>\$ 0.04</b>
<b>SERIES D</b>	<b>\$ 0.06</b>	<b>\$ 0.04</b>
<b>SERIES F</b>	<b>\$ 0.07</b>	<b>\$ 0.04</b>
<b>SERIES O</b>	<b>\$ 0.11</b>	<b>\$ 0.09</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 14 346	\$ 10 552
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	—	—
Change in unrealized loss (gain) on investments	—	—
(Increase) decrease in accrued receivables	(735)	151
Increase (decrease) in accrued payables	44	(131)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(8 838 773)	(8 892 631)
Proceeds from sale and maturity of investments	8 354 322	9 191 910
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(470 796)</b>	<b>309 851</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	1 971 583	1 442 828
Cash paid on redemption of redeemable units	(1 499 882)	(1 751 939)
Distributions paid to holders of redeemable units	(862)	(748)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 470 839</b>	<b>\$ (309 859)</b>
Net increase (decrease) in cash for the period	43	(8)
Cash (bank overdraft), beginning of period	9	17
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 52</b>	<b>\$ 9</b>
Interest received (paid)	\$ 15 557	\$ 12 875
Dividends received, net of withholding taxes	\$ —	\$ —



**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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 5 216</b>	<b>\$ 6 575</b>	<b>\$ 1 433</b>	<b>\$ 3 576</b>	<b>\$ 248 646</b>	<b>\$ 519 426</b>	<b>\$ 2 706</b>	<b>\$ 3 806</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>28</b>	<b>21</b>	<b>6</b>	<b>10</b>	<b>1 616</b>	<b>1 292</b>	<b>34</b>	<b>15</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	6 582	3 627	415	1 136	276 766	308 203	23 622	1 560
Reinvestments of distributions to holders of redeemable units	27	22	6	10	1 573	1 275	34	16
Redemption of redeemable units	(6 983)	(5 007)	(841)	(3 289)	(178 987)	(580 259)	(22 061)	(2 675)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(374)</b>	<b>(1 358)</b>	<b>(420)</b>	<b>(2 143)</b>	<b>99 352</b>	<b>(270 781)</b>	<b>1 595</b>	<b>(1 099)</b>
Distributions from net income	(27)	(22)	(6)	(10)	(1 588)	(1 291)	(34)	(16)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(27)</b>	<b>(22)</b>	<b>(6)</b>	<b>(10)</b>	<b>(1 588)</b>	<b>(1 291)</b>	<b>(34)</b>	<b>(16)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(373)</b>	<b>(1 359)</b>	<b>(420)</b>	<b>(2 143)</b>	<b>99 380</b>	<b>(270 780)</b>	<b>1 595</b>	<b>(1 100)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 4 843</b>	<b>\$ 5 216</b>	<b>\$ 1 013</b>	<b>\$ 1 433</b>	<b>\$ 348 026</b>	<b>\$ 248 646</b>	<b>\$ 4 301</b>	<b>\$ 2 706</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 1 002 984</b>	<b>\$ 1 022 721</b>	<b>\$ 1 260 985</b>	<b>\$ 1 556 104</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>12 662</b>	<b>9 214</b>	<b>14 346</b>	<b>10 552</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	1 684 830	1 133 859	1 992 215	1 448 385
Reinvestments of distributions to holders of redeemable units	11 624	8 482	13 264	9 805
Redemption of redeemable units	(1 296 403)	(1 162 078)	(1 505 275)	(1 753 308)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>400 051</b>	<b>(19 737)</b>	<b>500 204</b>	<b>(295 118)</b>
Distributions from net income	(12 553)	(9 214)	(14 208)	(10 553)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(12 553)</b>	<b>(9 214)</b>	<b>(14 208)</b>	<b>(10 553)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>400 160</b>	<b>(19 737)</b>	<b>500 342</b>	<b>(295 119)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 1 403 144</b>	<b>\$ 1 002 984</b>	<b>\$ 1 761 327</b>	<b>\$ 1 260 985</b>

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

December 31, 2017

**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 5 in the generic notes)****Credit risk (%)**

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

	December 31 2017	December 31 2016
Rating		
R-1 (H)	65.8	76.8
R-1 (M)	7.8	9.1
R-1 (L)	26.4	14.1
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:

	December 31 2017	December 31 2016
Investment mix		
Corporate Notes	98.3	98.9
Cash/Other	1.7	1.1
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:

	December 31 2017	December 31 2016
Term to maturity		
0 – 1 month	38.4	42.2
1 – 3 months	37.3	38.5
3 – 6 months	23.0	18.2
6 – 12 months	1.3	1.1
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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	1 732 156	–	1 732 156
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	1 732 156	–	1 732 156
% of total portfolio	–	100.0	–	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

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

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

<sup>†</sup> 0.50% of the Series D NAV of the Fund up to \$200 000 000 and 0.40% of the Series D NAV of the Fund in excess of \$200 000 000.

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

December 31, 2017

**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 2017	December 31 2016
<b>Units held</b>		
Series A	46	46
Advisor Series	54	53
Series D	2 917	531
Series F	2	2
Series O	401	394
<b>Value of all units</b>	<b>34</b>	<b>10</b>

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series A</b>		
Opening units	522	658
Issued number of units	658	363
Reinvested number of units	3	2
Redeemed number of units	(699)	(501)
Ending number of units	484	522
<b>Advisor Series</b>		
Opening units	143	358
Issued number of units	41	113
Reinvested number of units	1	1
Redeemed number of units	(84)	(329)
Ending number of units	101	143
<b>Series D</b>		
Opening units	24 865	51 943
Issued number of units	27 677	30 820
Reinvested number of units	157	128
Redeemed number of units	(17 899)	(58 026)
Ending number of units	34 800	24 865
<b>Series F</b>		
Opening units	271	381
Issued number of units	2 362	156
Reinvested number of units	3	2
Redeemed number of units	(2 206)	(268)
Ending number of units	430	271

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

	2017	2016
<b>Series O</b>		
Opening units	100 298	102 272
Issued number of units	168 484	113 386
Reinvested number of units	1 162	848
Redeemed number of units	(129 640)	(116 208)
Ending number of units	140 304	100 298

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

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

	December 31 2017	December 31 2016
BonaVista Balanced Fund	—	—
BonaVista Canadian Equity Fund	—	0.3
BonaVista Canadian Equity Value Fund	—	—
BonaVista Private Balanced Fund	—	—
Phillips, Hager & North Balanced Fund	0.8	0.3
Phillips, Hager & North Balanced Pension Trust	1.1	0.5
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	—	—
<b>Total</b>	<b>1.9</b>	<b>1.1</b>

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)

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

December 31, 2017

Par Value (000s)	Security	Cost/ Fair Value	% of Net Assets
<b>BANKERS ACCEPTANCES AND BANK OBLIGATIONS</b>			
4 310	Bank of Montreal	\$ 4 298	
1 000	Bank of Nova Scotia	998	
5 450	Canadian Imperial Bank of Commerce	5 438	
4 685	Toronto-Dominion Bank	4 669	
		<u>15 403</u>	<u>21.6</u>
<b>COMMERCIAL PAPER</b>			
3 000	Banner Trust	2 993	
2 450	Bay Street Funding Trust - Class A	2 445	
880	Caisse Centrale Desjardins	878	
3 216	Canadian Master Trust - Series A	3 192	
1 990	Clarity Trust	1 971	
1 550	Enbridge Pipelines Inc.	1 546	
2 200	Fusion Trust	2 184	
1 580	Gaz Metro Inc.	1 577	
2 450	King Street Funding Trust	2 445	
3 125	Merit Trust - Senior Notes	3 112	
3 000	OMERS Realty Corp.	2 990	
2 770	Prime Trust - Senior Notes	2 761	
2 831	Ridge Trust	2 810	
2 990	SAFE Trust - Series 1996-1	2 976	
2 285	SOUND Trust	2 267	
2 270	SURE Trust	2 248	
1 800	TMX Group Ltd.	1 798	
1 867	Zeus Receivables Trust - Senior Notes	1 862	
		<u>42 055</u>	<u>59.1</u>
<b>PROVINCIAL OBLIGATIONS</b>			
13 285	Province of Alberta	13 256	
		<u>13 256</u>	<u>18.6</u>
<b>TOTAL INVESTMENTS</b>			
		<u>70 714</u>	<u>99.3</u>
<b>OTHER NET ASSETS ATTRIBUTABLE TO</b>			
<b>HOLDERS OF REDEEMABLE UNITS</b>			
		<u>492</u>	<u>0.7</u>
<b>NET ASSETS ATTRIBUTABLE TO</b>			
<b>HOLDERS OF REDEEMABLE UNITS</b>			
		<u>\$ 71 206</u>	<u>100.0</u>

Investments, which are grouped by issuer, earn interest at rates ranging from 1.25% to 2.10% and mature between January 3, 2018 and May 14, 2018.

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 2017	December 31 2016
<b>ASSETS</b>		
Investments at fair value	\$ 70 714	\$ 50 569
Cash	23	48
Subscriptions receivable	475	872
Dividends receivable, interest accrued and other assets	126	54
<b>TOTAL ASSETS</b>	<b>71 338</b>	<b>51 543</b>
<b>LIABILITIES</b>		
Redemptions payable	117	28
Distributions payable	6	4
Accounts payable and accrued expenses	9	5
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>132</b>	<b>37</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 71 206</b>	<b>\$ 51 506</b>
Investments at cost	\$ 70 714	\$ 50 569
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 1 209</b>	<b>\$ 1 089</b>
<b>ADVISOR SERIES</b>	<b>\$ 54</b>	<b>\$ 54</b>
<b>SERIES D</b>	<b>\$ 19 096</b>	<b>\$ 15 180</b>
<b>SERIES F</b>	<b>\$ 1 408</b>	<b>\$ 819</b>
<b>SERIES O</b>	<b>\$ 49 439</b>	<b>\$ 34 364</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>ADVISOR SERIES</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>SERIES D</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>SERIES F</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>SERIES O</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>

**Statements of Comprehensive Income**

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2017	2016
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 778	\$ 341
<b>TOTAL INCOME (LOSS)</b>	<b>778</b>	<b>341</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	37	29
Administration fees	33	23
Independent Review Committee costs	2	2
GST/HST	6	5
<b>TOTAL EXPENSES</b>	<b>78</b>	<b>59</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 700</b>	<b>\$ 282</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 11</b>	<b>\$ 6</b>
<b>ADVISOR SERIES</b>	<b>\$ –</b>	<b>\$ –</b>
<b>SERIES D</b>	<b>\$ 166</b>	<b>\$ 70</b>
<b>SERIES F</b>	<b>\$ 13</b>	<b>\$ 7</b>
<b>SERIES O</b>	<b>\$ 510</b>	<b>\$ 199</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.10</b>	<b>\$ 0.05</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.10</b>	<b>\$ 0.05</b>
<b>SERIES D</b>	<b>\$ 0.10</b>	<b>\$ 0.05</b>
<b>SERIES F</b>	<b>\$ 0.10</b>	<b>\$ 0.05</b>
<b>SERIES O</b>	<b>\$ 0.12</b>	<b>\$ 0.07</b>

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

For the periods ended December 31

(see note 2 in the generic notes)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 700	\$ 282
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	—	—
Change in unrealized loss (gain) on investments	—	—
(Increase) decrease in accrued receivables	(72)	(26)
Increase (decrease) in accrued payables	4	3
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(713 400)	(376 957)
Proceeds from sale and maturity of investments	693 255	378 200
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(19 513)</b>	<b>1 502</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	83 283	39 549
Cash paid on redemption of redeemable units	(63 741)	(40 970)
Distributions paid to holders of redeemable units	(54)	(38)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 19 488</b>	<b>\$ (1 459)</b>
Net increase (decrease) in cash for the period	(25)	43
Cash (bank overdraft), beginning of period	48	5
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 23</b>	<b>\$ 48</b>
Interest received (paid)	\$ 706	\$ 315
Dividends received, net of withholding taxes	\$ —	\$ —

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 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 1 089</b>	<b>\$ 1 469</b>	<b>\$ 54</b>	<b>\$ 69</b>	<b>\$ 15 180</b>	<b>\$ 13 985</b>	<b>\$ 819</b>	<b>\$ 2 735</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>11</b>	<b>6</b>	<b>—</b>	<b>—</b>	<b>166</b>	<b>70</b>	<b>13</b>	<b>7</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 340	505	200	6	10 892	12 041	2 081	801
Reinvestments of distributions to holders of redeemable units	10	5	1	—	157	68	14	8
Redemption of redeemable units	(1 229)	(890)	(200)	(21)	(7 134)	(10 914)	(1 505)	(2 724)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>121</b>	<b>(380)</b>	<b>1</b>	<b>(15)</b>	<b>3 915</b>	<b>1 195</b>	<b>590</b>	<b>(1 915)</b>
Distributions from net income	(12)	(6)	(1)	—	(165)	(70)	(14)	(8)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(12)</b>	<b>(6)</b>	<b>(1)</b>	<b>—</b>	<b>(165)</b>	<b>(70)</b>	<b>(14)</b>	<b>(8)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>120</b>	<b>(380)</b>	<b>—</b>	<b>(15)</b>	<b>3 916</b>	<b>1 195</b>	<b>589</b>	<b>(1 916)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 1 209</b>	<b>\$ 1 089</b>	<b>\$ 54</b>	<b>\$ 54</b>	<b>\$ 19 096</b>	<b>\$ 15 180</b>	<b>\$ 1 408</b>	<b>\$ 819</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 34 364</b>	<b>\$ 33 533</b>	<b>\$ 51 506</b>	<b>\$ 51 791</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>510</b>	<b>199</b>	<b>700</b>	<b>282</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	68 424	26 730	82 937	40 083
Reinvestments of distributions to holders of redeemable units	459	163	641	244
Redemption of redeemable units	(53 813)	(26 062)	(63 881)	(40 611)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>15 070</b>	<b>831</b>	<b>19 697</b>	<b>(284)</b>
Distributions from net income	(505)	(199)	(697)	(283)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(505)</b>	<b>(199)</b>	<b>(697)</b>	<b>(283)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>15 075</b>	<b>831</b>	<b>19 700</b>	<b>(285)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 49 439</b>	<b>\$ 34 364</b>	<b>\$ 71 206</b>	<b>\$ 51 506</b>

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

December 31, 2017

### 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 5 in the generic notes)

#### Credit risk (%)

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

	December 31 2017	December 31 2016
Rating		
R-1 (H)	93.1	90.7
R-1 (M)	—	4.5
R-1 (L)	4.7	4.8
Unrated	2.2	—
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:

	December 31 2017	December 31 2016
Investment mix		
Corporate Notes	80.7	83.4
Government Notes	18.6	14.8
Cash/Other	0.7	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:

	December 31 2017	December 31 2016
Term to maturity		
0 – 1 month	32.5	35.8
1 – 3 months	52.8	52.9
3 – 6 months	14.7	11.3
6 – 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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	70 714	—	70 714
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	70 714	—	70 714
% of total portfolio	—	100.0	—	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

### Management fees and operating expenses (see note 8 in the generic notes)

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

	Management fees	Operating expenses
Series A	0.75%	0.05%
Advisor Series	0.75%	0.05%
Series D	0.50%	0.05%
Series F	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.



December 31, 2017

**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 2017	December 31 2016
<b>Units held</b>		
Advisor Series	37	37
Series D	1	1
Series O	8	—
<b>Value of all units</b>	—	—

**Taxes (CAD000s) (see note 6 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, 2017 for the Fund were approximately:

Capital losses	2 830
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)

	2017	2016
<b>Series A</b>		
Opening units	109	147
Issued number of units	134	50
Reinvested number of units	1	1
Redeemed number of units	(123)	(89)
Ending number of units	121	109
<b>Advisor Series</b>		
Opening units	5	7
Issued number of units	20	—
Reinvested number of units	—	—
Redeemed number of units	(20)	(2)
Ending number of units	5	5
<b>Series D</b>		
Opening units	1 518	1 399
Issued number of units	1 088	1 203
Reinvested number of units	16	7
Redeemed number of units	(713)	(1 091)
Ending number of units	1 909	1 518

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

	2017	2016
<b>Series F</b>		
Opening units	82	273
Issued number of units	209	80
Reinvested number of units	1	1
Redeemed number of units	(151)	(272)
Ending number of units	141	82
<b>Series O</b>		
Opening units	3 436	3 353
Issued number of units	6 842	2 673
Reinvested number of units	46	16
Redeemed number of units	(5 381)	(2 606)
Ending number of units	4 943	3 436

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, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>BONDS</b>						
<b>CANADIAN BONDS</b>						
<b>CORPORATE</b>						
2 752	Alectra Inc.	3.033	25-Jul-2022	\$ 2 882	\$ 2 826	
2 534	AltaGas Ltd.	4.550	17-Jan-2019	2 698	2 594	
24 369	AltaLink Investments LP	3.674	05-Jun-2019	25 217	24 797	
3 902	AltaLink Investments LP	3.265	05-Jun-2020	4 080	3 978	
18 073	AltaLink Investments LP	2.244	07-Mar-2022	17 932	17 839	
11 626	AltaLink LP	5.243	29-May-2018	12 782	11 797	
1 575	AltaLink LP	3.621	17-Sep-2020	1 577	1 634	
17 983	AltaLink LP	2.978	28-Nov-2022	18 771	18 457	
14 354	AltaLink LP	3.668	06-Nov-2023	15 458	15 244	
1 475	Bank of Montreal	2.100	06-Oct-2020	1 511	1 468	
17 500	Bank of Nova Scotia	2.462	14-Mar-2019	17 986	17 605	
13 880	Bank of Nova Scotia	2.090	09-Sep-2020	14 195	13 810	
1 305	Bell Canada	3.500	10-Sep-2018	1 306	1 320	
29 505	Bell Canada	5.520	26-Feb-2019	33 035	30 665	
3 427	Bell Canada	3.540	12-Jun-2020	3 506	3 522	
7 665	Bell Canada	4.950	19-May-2021	8 818	8 255	
950	Bell Canada	3.150	29-Sep-2021	969	969	
8 032	Blackbird Infrastructure 407 GP	1.713	08-Oct-2021	7 969	7 908	
5 361	Brookfield Asset Management Inc.	3.950	09-Apr-2019	5 573	5 477	
5 740	Brookfield Asset Management Inc.	5.300	01-Mar-2021	6 406	6 188	
12 683	Brookfield Asset Management Inc.	4.540	31-Mar-2023	14 025	13 567	
3 558	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	3 563	3 646	
10 946	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	11 136	11 134	
23 549	Brookfield Infrastructure Finance ULC	3.315	22-Feb-2024	23 759	23 458	
12 818	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	14 146	13 713	
9 887	Brookfield Renewable Energy Partners ULC	4.790	07-Feb-2022	10 898	10 624	
41 696	Bruce Power LP	2.844	23-Jun-2021	42 318	42 004	
2 340	Caisse Centrale Desjardins	2.443	17-Jul-2019	2 407	2 353	
6 042	Cameco Corp.	5.670	02-Sep-2019	6 741	6 268	
5 794	Cameco Corp.	3.750	14-Nov-2022	5 934	5 723	
18 182	Canadian Credit Card Trust II	1.829	24-Mar-2020	18 140	18 006	
34 711	Canadian Imperial Bank of Commerce	1.700	09-Oct-2018	34 819	34 696	
4 928	Canadian Utilities Ltd.	3.122	09-Nov-2022	5 127	5 074	
24 252	Choice Properties LP	3.600	20-Apr-2020	24 882	24 814	
5 810	Cominar Real Estate Investment Trust	3.620	21-Jun-2019	5 827	5 834	
2 992	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	3 093	3 033	
8 004	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	8 471	8 237	
7 504	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	7 654	7 532	
11 237	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	11 285	11 178	
6 726	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	6 762	6 797	
5 000	CU Inc.	4.801	22-Nov-2021	5 499	5 460	
1 282	CU Inc.	6.215	06-Mar-2024	1 543	1 534	
16 600	Eagle Credit Card Trust	2.849	17-Oct-2018	16 822	16 731	
5 420	Eagle Credit Card Trust	2.147	17-Sep-2020	5 420	5 391	
35 143	EllisDon Infrastructure JBH Inc.	2.018	28-Nov-2019	35 415	35 137	
3 742	Emera Inc.	4.830	02-Dec-2019	4 099	3 914	
4 940	Emera Inc.	2.900	16-Jun-2023	4 940	4 931	
20 934	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	22 438	21 998	
6 059	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	6 886	6 614	
1 899	Enbridge Gas Distribution Inc.	6.050	05-Jul-2023	2 231	2 215	

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

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

Investment Management®

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
13 327	Enbridge Gas Distribution Inc.	3.150	22-Aug-2024	\$ 13 770	\$ 13 717	
30 958	Enbridge Inc.	4.770	02-Sep-2019	33 824	32 178	
8 225	Enbridge Inc.	4.530	09-Mar-2020	8 609	8 578	
5 797	Enbridge Inc.	4.260	01-Feb-2021	6 213	6 062	
19 040	Enbridge Inc.	3.160	11-Mar-2021	19 293	19 291	
25 980	Enbridge Income Fund	4.100	22-Feb-2019	27 924	26 509	
65 566	Enbridge Pipelines Inc.	6.620	19-Nov-2018	73 059	68 263	
29 908	Enbridge Pipelines Inc.	4.490	12-Nov-2019	31 772	31 266	
2 237	Enbridge Pipelines Inc.	4.450	06-Apr-2020	2 477	2 344	
18 356	Enbridge Pipelines Inc.	2.930	30-Nov-2022	19 171	18 633	
16 389	Enbridge Pipelines Inc.	3.790	17-Aug-2023	17 749	17 266	
8 800	Enbridge Pipelines Inc.	6.350	17-Nov-2023	10 755	10 325	
9 301	Enmax Corp.	6.150	19-Jun-2018	10 611	9 477	
8 641	First Capital Realty Inc.	4.950	30-Nov-2018	9 309	8 869	
2 076	First Capital Realty Inc.	4.430	31-Jan-2022	2 290	2 195	
15 740	Fortis Inc.	2.850	12-Dec-2023	15 791	15 728	
1 508	FortisAlberta Inc.	3.300	30-Sep-2024	1 569	1 566	
1 035	Gaz Metro Inc.	4.930	18-Jun-2019	1 115	1 078	
1 568	Gaz Metro Inc.	1.520	25-May-2020	1 567	1 545	
1 135	Gaz Metro Inc.	5.450	12-Jul-2021	1 323	1 256	
28 133	Genesis Trust II	1.675	17-Sep-2018	28 136	28 118	
22 205	Genesis Trust II	2.433	15-May-2019	22 521	22 320	
21 988	Greater Toronto Airports Authority	1.510	16-Feb-2021	21 888	21 570	
18 694	Greater Toronto Airports Authority	3.040	21-Sep-2022	19 494	19 275	
3 600	H&R Real Estate Investment Trust	3.344	20-Jun-2018	3 674	3 624	
3 614	Hollis Receivables Term Trust II	2.434	26-Jun-2019	3 649	3 633	
23 476	Hydro One Inc.	2.780	09-Oct-2018	23 512	23 667	
39 988	Hydro One Inc.	1.480	18-Nov-2019	40 002	39 577	
14 000	Hydro One Inc.	1.620	30-Apr-2020	13 940	13 844	
3 500	Hydro One Inc.	4.400	01-Jun-2020	3 716	3 685	
37 830	Hydro One Inc.	1.840	24-Feb-2021	37 737	37 354	
16 255	Hydro One Inc.	3.200	13-Jan-2022	17 363	16 773	
3 165	Industrial Alliance Insurance & Financial Services Inc.	2.800	16-May-2024	3 143	3 176	
2 000	Inter Pipeline Corridor Inc.	4.897	03-Feb-2020	2 122	2 098	
5 657	Inter Pipeline Ltd.	3.448	20-Jul-2020	5 809	5 790	
2 000	Inter Pipeline Ltd.	3.776	30-May-2022	2 163	2 077	
3 275	Loblaw Companies Ltd.	3.748	12-Mar-2019	3 277	3 340	
3 041	Lower Mattagami Energy LP	3.416	20-Jun-2024	3 226	3 180	
5 120	Manitoba Telecom Services Inc.	4.590	01-Oct-2018	5 528	5 221	
7 532	Master Credit Card Trust II	2.723	21-Nov-2018	7 781	7 591	
19 400	North West Redwater Partnership	2.100	23-Feb-2022	19 163	19 019	
5 000	North West Redwater Partnership	3.200	22-Jul-2024	5 088	5 087	
2 501	Nova Scotia Power Inc.	9.750	02-Aug-2019	3 417	2 772	
17 827	OMERS Realty Corp.	2.498	05-Jun-2018	17 945	17 895	
3 740	OMERS Realty Corp.	2.473	12-Nov-2019	3 740	3 763	
6 820	OMERS Realty Corp.	2.971	05-Apr-2021	6 851	6 952	
12 657	Pembina Pipeline Corp.	4.890	29-Mar-2021	14 052	13 502	
8 615	Rogers Communications Inc.	2.800	13-Mar-2019	8 613	8 692	
14 838	Royal Bank of Canada*	2.820	12-Jul-2018	15 247	14 927	
15 522	Royal Bank of Canada*	2.770	11-Dec-2018	15 952	15 655	
86 550	Royal Bank of Canada*	1.400	26-Apr-2019	86 687	86 006	
35 000	Royal Bank of Canada*	1.590	23-Mar-2020	34 644	34 593	
5 743	Royal Bank of Canada*	1.920	17-Jul-2020	5 804	5 695	
11 715	Royal Bank of Canada*	2.860	04-Mar-2021	11 914	11 892	
74 180	Royal Bank of Canada*	2.030	15-Mar-2021	75 008	73 397	
29 627	Royal Bank of Canada*	1.650	15-Jul-2021	29 599	28 883	
3 289	Sun Life Financial Inc.	2.770	13-May-2024	3 329	3 305	

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

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

Investment Management®

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
516	Sun Life Financial Inc.	3.050	19-Sep-2028	\$ 515	\$ 518	
7 493	TELUS Corp.	3.200	05-Apr-2021	7 876	7 651	
23 047	Thomson Reuters Corp.	3.369	23-May-2019	23 146	23 423	
5 180	TMX Group Ltd.	3.253	03-Oct-2018	5 208	5 236	
3 304	Toronto Hydro Corp.	4.490	12-Nov-2019	3 564	3 448	
9 675	Toronto-Dominion Bank	2.563	24-Jun-2020	9 860	9 754	
141 299	Toronto-Dominion Bank	1.680	08-Jun-2021	141 522	138 448	
10 502	Toronto-Dominion Bank	1.909	18-Jul-2023	10 502	10 131	
4 812	TransCanada PipeLines Ltd.	9.450	20-Mar-2018	6 380	4 890	
3 619	TransCanada PipeLines Ltd.	11.800	20-Nov-2020	5 461	4 523	
12 182	TransCanada PipeLines Ltd.	3.650	15-Nov-2021	12 885	12 760	
10 000	Union Gas Ltd.	5.350	27-Apr-2018	10 995	10 115	
1 925	Union Gas Ltd.	8.750	03-Aug-2018	2 182	2 001	
25 045	Union Gas Ltd.	2.760	02-Jun-2021	25 407	25 418	
17 978	Union Gas Ltd.	4.850	25-Apr-2022	20 583	19 750	
676	Union Gas Ltd.	3.790	10-Jul-2023	731	717	
4 311	Westcoast Energy Inc.	8.500	04-Sep-2018	4 529	4 489	
13 351	Westcoast Energy Inc.	5.600	16-Jan-2019	14 534	13 821	
3 094	Westcoast Energy Inc.	9.900	10-Jan-2020	4 081	3 525	
17 548	Westcoast Energy Inc.	4.570	02-Jul-2020	18 534	18 464	
4 000	Westcoast Energy Inc.	3.883	28-Oct-2021	4 212	4 192	
4 045	Westcoast Energy Inc.	3.120	05-Dec-2022	4 037	4 125	
4 900	Westcoast Energy Inc.	3.430	12-Sep-2024	4 958	5 052	
676	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	700	689	
				1 845 278	1 805 203	<b>28.2</b>
<b>FEDERAL</b>						
147 137	Canada Housing Trust No. 1	1.950	15-Jun-2019	150 559	147 685	
179 851	Canada Housing Trust No. 1	2.000	15-Dec-2019	182 700	180 638	
80 168	Canada Housing Trust No. 1	3.750	15-Mar-2020	85 141	83 525	
139 227	Canada Housing Trust No. 1	1.450	15-Jun-2020	140 515	137 937	
233 989	Canada Housing Trust No. 1	1.250	15-Dec-2020	232 775	229 594	
168 229	Canada Housing Trust No. 1	1.250	15-Jun-2021	168 239	164 120	
32 501	Canada Housing Trust No. 1	3.800	15-Jun-2021	34 625	34 454	
40 113	Canada Housing Trust No. 1	1.150	15-Dec-2021	39 261	38 756	
91 167	Canada Housing Trust No. 1	1.500	15-Dec-2021	90 421	89 289	
18 387	Canada Housing Trust No. 1	1.750	15-Jun-2022	18 389	18 116	
248 121	Canada Housing Trust No. 1	2.400	15-Dec-2022	252 596	251 139	
40 685	Government of Canada	0.250	01-May-2018	40 425	40 562	
1 862	Government of Canada	1.250	01-Sep-2018	1 859	1 861	
205 542	Government of Canada	1.250	01-Nov-2019	204 819	203 943	
252 131	Government of Canada	1.250	01-Feb-2020	250 191	249 749	
8 639	Government of Canada	3.500	01-Jun-2020	9 072	9 000	
16 336	Government of Canada	0.750	01-Sep-2020	15 974	15 923	
36 521	Government of Canada	0.750	01-Mar-2021	35 486	35 381	
72 581	Government of Canada	0.750	01-Sep-2021	70 280	69 925	
122 374	Government of Canada	0.500	01-Mar-2022	117 210	115 898	
204 904	Government of Canada	1.000	01-Sep-2022	198 621	197 050	
211 075	Government of Canada	1.750	01-Mar-2023	210 620	209 593	
79 645	Government of Canada	1.500	01-Jun-2023	78 306	78 039	
				2 628 084	2 602 177	<b>40.7</b>
<b>PROVINCIAL/MUNICIPAL</b>						
2 680	Ontrea Inc.	4.619	09-Apr-2018	2 682	2 703	
167 046	Province of Alberta	1.250	01-Jun-2020	165 969	164 452	
10 730	Province of Manitoba	5.500	15-Nov-2018	11 487	11 093	
54 579	Province of Manitoba	1.550	05-Sep-2021	54 348	53 549	

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

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

Investment Management®

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>PROVINCIAL/MUNICIPAL (cont.)</b>						
17 500	Province of Ontario	4.400	02-Jun-2019	\$ 18 309	\$ 18 151	
275 463	Province of Ontario	4.200	02-Jun-2020	303 001	290 268	
20 000	Province of Ontario	1.350	08-Mar-2022	19 408	19 353	
57 888	Province of Ontario	3.150	02-Jun-2022	61 736	60 227	
				636 940	619 796	9.7
<b>TOTAL CANADIAN BONDS</b>				5 110 302	5 027 176	78.6
<b>UNITED KINGDOM BONDS</b>						
3 231	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	3 349	3 273	
<b>TOTAL UNITED KINGDOM BONDS</b>				3 349	3 273	0.1
<b>UNITED STATES BONDS</b>						
19 900	Anheuser-Busch InBev Finance Inc. CAD	3.375	25-Jan-2023	20 827	20 459	
24 570	Anheuser-Busch InBev Finance Inc. CAD	2.600	15-May-2024	24 454	24 043	
39 744	AT&T Inc. CAD	3.825	25-Nov-2020	41 040	41 126	
21 425	Bank of America Corp. CAD	2.604	15-Mar-2023	21 425	21 279	
9 781	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	9 629	9 658	
17 335	Molson Coors International LP CAD	2.250	18-Sep-2018	17 275	17 373	
14 040	Molson Coors International LP CAD	2.750	18-Sep-2020	14 001	14 105	
11 262	Molson Coors International LP CAD	2.840	15-Jul-2023	11 273	11 105	
20 550	United Parcel Service Inc. CAD	2.125	21-May-2024	20 338	19 909	
26 057	United States Treasury	1.250	30-Jun-2019	32 254	32 468	
56 608	Wells Fargo & Co. CAD	2.222	15-Mar-2021	56 356	56 104	
28 048	Wells Fargo & Co. CAD	2.509	27-Oct-2023	28 072	27 400	
<b>TOTAL UNITED STATES BONDS</b>				296 944	295 029	4.6
<b>TOTAL BONDS</b>				5 410 595	5 325 478	83.3
<b>MORTGAGE-BACKED SECURITIES</b>						
15 171	Canadian Mortgage Pools	1.650	01-Mar-2018	15 281	15 173	
13 209	Canadian Mortgage Pools	1.650	01-Apr-2018	13 092	13 214	
6 667	Canadian Mortgage Pools	1.670	01-May-2018	6 689	6 670	
10 038	Canadian Mortgage Pools	1.600	01-Mar-2019	9 935	10 027	
15 155	Canadian Mortgage Pools	1.750	01-Aug-2019	15 080	15 131	
11 511	Canadian Mortgage Pools	2.000	01-Sep-2019	11 468	11 524	
8 895	Canadian Mortgage Pools	1.900	01-Nov-2019	8 872	8 889	
6 557	Canadian Mortgage Pools	1.800	01-Dec-2019	6 554	6 544	
8 210	Canadian Mortgage Pools	1.200	01-Feb-2020	8 175	8 104	
15 374	Canadian Mortgage Pools	1.250	01-Mar-2021	15 122	15 069	
41 539	Canadian Mortgage Pools	1.400	01-May-2021	41 599	40 798	
17 469	Canadian Mortgage Pools	1.550	01-Jun-2021	17 549	17 203	
29 312	Canadian Mortgage Pools	1.270	01-Jul-2021	29 076	28 658	
31 789	Canadian Mortgage Pools	1.300	01-Aug-2021	31 493	31 083	
7 683	Canadian Mortgage Pools	1.350	01-Sep-2021	7 620	7 505	
51 048	Canadian Mortgage Pools	1.370	01-Nov-2021	50 436	49 907	
30 222	Canadian Mortgage Pools	1.450	01-Dec-2021	29 913	29 566	
38 512	Canadian Mortgage Pools	1.620	01-Mar-2022	38 062	37 853	
11 145	Canadian Mortgage Pools	1.420	01-Jun-2022	11 115	10 861	
25 738	Canadian Mortgage Pools	1.890	01-Sep-2022	25 393	25 441	
<b>TOTAL MORTGAGE-BACKED SECURITIES</b>				392 524	389 220	6.1
<b>MORTGAGES (SCHEDULE A)</b>				570 910	568 887	8.9
<b>SHORT-TERM INVESTMENTS<sup>†</sup></b>				86 589	86 589	1.3
<b>TOTAL INVESTMENTS</b>				\$ 6 460 618	6 370 174	99.6
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					26 493	0.4
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					\$ 6 396 667	100.0

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

PHILLIPS, HAGER & NORTH SHORT TERM BOND &  
MORTGAGE FUND

Investment Management®

December 31, 2017

## SCHEDULE A

## Mortgages

Number of Loans	Interest Rate (%)	Principal 2018	2019	2020	2021	2022	2023	2024	Cost	Fair Value	% of Net Assets
1	2.25-2.49	\$ 1 711	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1 711	\$ 1 711	
4	2.50-2.74	4 563	852	19 125	—	—	—	—	24 603	24 163	
26	2.75-2.99	59 998	12 238	37 674	3 884	38 070	—	—	152 113	150 492	
15	3.00-3.24	349	11 323	35 297	1 991	—	—	4 799	53 860	53 381	
17	3.25-3.49	29 642	19 033	31 220	—	2 120	—	—	82 241	82 087	
35	3.50-3.74	32 730	64 782	38 438	12 104	1 988	—	17 600	168 015	167 982	
34	3.75-3.99	21 865	17 495	2 437	9 247	552	—	—	51 689	51 914	
5	4.00-4.24	2 339	3 876	4 145	—	727	469	—	11 594	11 711	
2	4.25-4.49	2 584	—	—	—	—	—	—	2 592	2 608	
1	4.50-4.74	—	—	17 429	—	—	—	—	17 495	17 875	
1	4.75-4.99	3 697	—	—	—	—	—	—	3 725	3 697	
—	5.00-5.24	—	—	—	—	—	—	—	—	—	
1	5.25-5.49	1 266	—	—	—	—	—	—	1 272	1 266	
142		\$ 160 744	\$ 129 599	\$ 185 765	\$ 27 226	\$ 43 457	\$ 469	\$ 22 399	\$ 570 910	\$ 568 887	8.9

\* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.17% to 1.60% and mature between January 2, 2018 and June 6, 2018.

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 6 370 174	\$ 5 719 969
Cash	3 396	3 241
Due from investment dealers	—	1 963
Subscriptions receivable	9 487	3 394
Dividends receivable, interest accrued and other assets	23 025	21 885
<b>TOTAL ASSETS</b>	<b>6 406 082</b>	<b>5 750 452</b>
<b>LIABILITIES</b>		
Due to investment dealers	6 932	—
Redemptions payable	1 934	9 684
Accounts payable and accrued expenses	549	591
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>9 415</b>	<b>10 275</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 6 396 667</b>	<b>\$ 5 740 177</b>
Investments at cost	\$ 6 460 618	\$ 5 743 423
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 109 271</b>	<b>\$ 172 864</b>
<b>ADVISOR SERIES</b>	<b>\$ 13 688</b>	<b>\$ 20 873</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES D</b>	<b>\$ 199 889</b>	<b>\$ 214 040</b>
<b>SERIES F</b>	<b>\$ 133 584</b>	<b>\$ 145 710</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES O</b>	<b>\$ 5 940 235</b>	<b>\$ 5 186 690</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 10.25</b>	<b>\$ 10.42</b>
<b>ADVISOR SERIES</b>	<b>\$ 10.25</b>	<b>\$ 10.42</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES D</b>	<b>\$ 10.21</b>	<b>\$ 10.38</b>
<b>SERIES F</b>	<b>\$ 10.19</b>	<b>\$ 10.36</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES O</b>	<b>\$ 9.92</b>	<b>\$ 10.09</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 134 645	\$ 139 697
Securities lending revenue (see note 7 in the generic notes)	48	—
Net realized gain (loss) on investments	(30 936)	(15 041)
Net gain (loss) on foreign currencies and other net assets	52	404
Change in unrealized gain (loss) on investments	(66 990)	(27 043)
<b>TOTAL INCOME (LOSS)</b>	<b>36 819</b>	<b>98 017</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	3 008	3 874
Administration fees	2 975	2 744
Independent Review Committee costs	3	2
GST/HST	581	674
<b>TOTAL EXPENSES</b>	<b>6 567</b>	<b>7 294</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 30 252</b>	<b>\$ 90 723</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ (339)</b>	<b>\$ 850</b>
<b>ADVISOR SERIES</b>	<b>\$ (46)</b>	<b>\$ 208</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ 702</b>
<b>SERIES D</b>	<b>\$ 37</b>	<b>\$ 2 704</b>
<b>SERIES F</b>	<b>\$ 251</b>	<b>\$ 1 403</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ 636</b>
<b>SERIES O</b>	<b>\$ 30 349</b>	<b>\$ 84 220</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ (0.03)</b>	<b>\$ 0.05</b>
<b>ADVISOR SERIES</b>	<b>\$ (0.03)</b>	<b>\$ 0.08</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ 0.12</b>
<b>SERIES D</b>	<b>\$ —</b>	<b>\$ 0.13</b>
<b>SERIES F</b>	<b>\$ 0.02</b>	<b>\$ 0.11</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ 0.14</b>
<b>SERIES O</b>	<b>\$ 0.06</b>	<b>\$ 0.18</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 30 252	\$ 90 723
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	(26)	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	30 936	15 041
Change in unrealized loss (gain) on investments	66 990	27 043
(Increase) decrease in accrued receivables	(1 140)	2 752
Increase (decrease) in accrued payables	(42)	(38)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(14 600 904)	(14 960 392)
Proceeds from sale and maturity of investments	13 861 694	14 296 458
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(612 240)</b>	<b>(528 413)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	2 239 512	1 955 134
Cash paid on redemption of redeemable units	(1 615 837)	(1 413 713)
Distributions paid to holders of redeemable units	(11 280)	(10 152)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 612 395</b>	<b>\$ 531 269</b>
Net increase (decrease) in cash for the period	155	2 856
Cash (bank overdraft), beginning of period	3 241	385
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 3 396</b>	<b>\$ 3 241</b>
Interest received (paid)	\$ 133 479	\$ 142 449
Dividends received, net of withholding taxes	\$ —	\$ —

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 (see note 2 in the generic notes)	Series A		Advisor Series		Series H		Series D	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 172 864</b>	<b>\$ 144 831</b>	<b>\$ 20 873</b>	<b>\$ 27 136</b>	<b>\$ —</b>	<b>\$ 72 809</b>	<b>\$ 214 040</b>	<b>\$ 220 901</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>(339)</b>	<b>850</b>	<b>(46)</b>	<b>208</b>	<b>—</b>	<b>702</b>	<b>37</b>	<b>2 704</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	<b>29 536</b>	<b>78 458</b>	<b>2 687</b>	<b>7 614</b>	<b>—</b>	<b>11 154</b>	<b>33 122</b>	<b>48 707</b>
Reinvestments of distributions to holders of redeemable units	<b>1 448</b>	<b>1 912</b>	<b>178</b>	<b>310</b>	<b>—</b>	<b>302</b>	<b>3 195</b>	<b>3 907</b>
Redemption of redeemable units	<b>(92 575)</b>	<b>(50 986)</b>	<b>(9 810)</b>	<b>(14 043)</b>	<b>—</b>	<b>(84 470)</b>	<b>(47 051)</b>	<b>(57 972)</b>
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(61 591)</b>	<b>29 384</b>	<b>(6 945)</b>	<b>(6 119)</b>	<b>—</b>	<b>(73 014)</b>	<b>(10 734)</b>	<b>(5 358)</b>
Distributions from net income	<b>(1 663)</b>	<b>(2 201)</b>	<b>(194)</b>	<b>(352)</b>	<b>—</b>	<b>(497)</b>	<b>(3 454)</b>	<b>(4 207)</b>
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(1 663)</b>	<b>(2 201)</b>	<b>(194)</b>	<b>(352)</b>	<b>—</b>	<b>(497)</b>	<b>(3 454)</b>	<b>(4 207)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(63 593)</b>	<b>28 033</b>	<b>(7 185)</b>	<b>(6 263)</b>	<b>—</b>	<b>(72 809)</b>	<b>(14 151)</b>	<b>(6 861)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 109 271</b>	<b>\$ 172 864</b>	<b>\$ 13 688</b>	<b>\$ 20 873</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 199 889</b>	<b>\$ 214 040</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series I		Series O		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 145 710</b>	<b>\$ 101 384</b>	<b>\$ —</b>	<b>\$ 47 885</b>	<b>\$ 5 186 690</b>	<b>\$ 4 507 824</b>	<b>\$ 5 740 177</b>	<b>\$ 5 122 770</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>251</b>	<b>1 403</b>	<b>—</b>	<b>636</b>	<b>30 349</b>	<b>84 220</b>	<b>30 252</b>	<b>90 723</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	<b>73 395</b>	<b>104 157</b>	<b>—</b>	<b>6 111</b>	<b>2 116 848</b>	<b>1 697 881</b>	<b>2 255 588</b>	<b>1 954 082</b>
Reinvestments of distributions to holders of redeemable units	<b>1 670</b>	<b>1 769</b>	<b>—</b>	<b>379</b>	<b>109 264</b>	<b>113 510</b>	<b>115 755</b>	<b>122 089</b>
Redemption of redeemable units	<b>(85 018)</b>	<b>(60 423)</b>	<b>—</b>	<b>(54 485)</b>	<b>(1 383 616)</b>	<b>(1 094 867)</b>	<b>(1 618 070)</b>	<b>(1 417 246)</b>
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(9 953)</b>	<b>45 503</b>	<b>—</b>	<b>(47 995)</b>	<b>842 496</b>	<b>716 524</b>	<b>753 273</b>	<b>658 925</b>
Distributions from net income	<b>(2 424)</b>	<b>(2 580)</b>	<b>—</b>	<b>(526)</b>	<b>(119 300)</b>	<b>(121 878)</b>	<b>(127 035)</b>	<b>(132 241)</b>
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(2 424)</b>	<b>(2 580)</b>	<b>—</b>	<b>(526)</b>	<b>(119 300)</b>	<b>(121 878)</b>	<b>(127 035)</b>	<b>(132 241)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(12 126)</b>	<b>44 326</b>	<b>—</b>	<b>(47 885)</b>	<b>753 545</b>	<b>678 866</b>	<b>656 490</b>	<b>617 407</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 133 584</b>	<b>\$ 145 710</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 5 940 235</b>	<b>\$ 5 186 690</b>	<b>\$ 6 396 667</b>	<b>\$ 5 740 177</b>

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

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

December 31, 2017

The Fund was closed to new investors effective July 4, 2016 and reopened to new investors effective July 26, 2017.

**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 5 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 2017	December 31 2016
AAA	53.8	41.2
AA	12.9	21.5
A	11.2	8.6
BBB	12.4	18.4
BB	0.6	—
Unrated*	9.1	10.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

\* Mortgages represent 100% (December 31, 2016 – 100%) of the unrated above. 2.8% (December 31, 2016 – 3.8%) 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 97.2% (December 31, 2016 – 96.2%), 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, 2017 and 2016, there were no mortgage payments in arrears for more than 90 days.

**Concentration risk (%)**

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

Investment mix	December 31 2017	December 31 2016
Federal Bonds	41.2	25.8
Corporate Bonds	32.4	41.1
Mortgages	9.7	10.2
Provincial Bonds	8.9	13.0
Mortgage-Backed Bonds	6.1	9.0
Cash/Other	1.7	0.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**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 2017	December 31 2016
Less than 1 year	11.0	10.5
1 – 5 years	79.7	76.5
5 – 10 years	9.3	13.0
> 10 years	—	—
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.7% (December 31, 2016 – 2.9%). 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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	—	—	—	—
<b>Mutual fund units</b>	—	—	—	—
<b>Fixed-income</b>				
and debt securities	—	5 714 698	568 887	6 283 585
Short-term investments	—	86 589	—	86 589
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
<b>Total financial instruments</b>	<b>—</b>	<b>5 801 287</b>	<b>568 887</b>	<b>6 370 174</b>
<b>% of total portfolio</b>	<b>—</b>	<b>91.1</b>	<b>8.9</b>	<b>100.0</b>

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

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

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

December 31, 2017

During the periods ended December 31, 2017 and 2016, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2017	December 31 2016
Balance at beginning of period	587 755	—
Net purchases	276 569	117 124
Net sales	(289 587)	(182 461)
Net transfers in	—	660 459
Net transfers out	—	—
Realized gains (losses)	(454)	(318)
Unrealized gains (losses)	(5 396)	(7 049)
Balance at end of period	568 887	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. The Level 3 assets are mortgages which are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs. Mortgages are valued by discounting future cash flows using a discount rate equal to the risk-free rate plus an appropriate risk spread premium. The spread premium is derived by the vendor from their risk rating program and a monthly spread matrix. This quantitative rules-based approach reviews seven risk factors to assess the market risk, credit risk and liquidity premiums to arrive at a total credit score for each mortgage. Among the inputs are the borrowers' financial statements, rent roll and operating statements, the most recent property inspection report and the terms of the mortgage itself.

As at December 31, 2017, a 10% increase or decrease in the weighted average spread premium of 1.72% (December 31, 2016 – 1.95%), an unobservable input, would have increased or decreased the Fund's NAV respectively by approximately 0.0% (December 31, 2016 – 0.0%).

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

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

	Management fees*	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 2017	December 31 2016
<b>Units held</b>		
Series A	54	53
Advisor Series	107	106
Series D	56	55
Series F	56	55
<b>Value of all units</b>	<b>3</b>	<b>3</b>

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	46 536
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)	2017	2016
<b>Series A</b>		
Opening units	16 593	13 808
Issued number of units	2 861	7 463
Reinvested number of units	140	182
Redeemed number of units	(8 930)	(4 860)
Ending number of units	10 664	16 593

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

December 31, 2017

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

	2017	2016
<b>Advisor Series</b>		
Opening units	2 003	2 586
Issued number of units	259	724
Reinvested number of units	17	30
Redeemed number of units	(944)	(1 337)
Ending number of units	1 335	2 003
<b>Series H</b>		
Opening units	–	6 943
Issued number of units	–	1 061
Reinvested number of units	–	29
Redeemed number of units	–	(8 033)
Ending number of units	–	–
<b>Series D</b>		
Opening units	20 621	21 137
Issued number of units	3 199	4 651
Reinvested number of units	310	374
Redeemed number of units	(4 553)	(5 541)
Ending number of units	19 577	20 621
<b>Series F</b>		
Opening units	14 067	9 720
Issued number of units	7 135	9 966
Reinvested number of units	163	170
Redeemed number of units	(8 254)	(5 789)
Ending number of units	13 111	14 067
<b>Series I</b>		
Opening units	–	4 596
Issued number of units	–	585
Reinvested number of units	–	36
Redeemed number of units	–	(5 217)
Ending number of units	–	–
<b>Series O</b>		
Opening units	514 114	443 659
Issued number of units	211 148	166 805
Reinvested number of units	10 926	11 186
Redeemed number of units	(137 729)	(107 536)
Ending number of units	598 459	514 114

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	666 889	–
Fair value of collateral received	681 103	–

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	64	100	–	–
RBC IS (paid)	(16)	(25)	–	–
Tax withheld	–	–	–	–
Fund revenue	48	75	–	–

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

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

	December 31 2017	December 31 2016
Phillips, Hager & North PRISM Balanced Fund	16.5	14.3
RBC Monthly Income Bond Fund	7.1	8.3
RBC Select Choices Balanced Portfolio	0.5	0.5
RBC Select Choices Conservative Portfolio	0.3	0.4
RBC Select Conservative Portfolio	10.4	14.3
RBC Select Very Conservative Portfolio	12.2	13.7
RBC Target 2020 Education Fund	0.7	–
RBC Total Return Growth Fund	–	–
Total	47.7	51.5

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

## PHILLIPS, HAGER &amp; NORTH BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>BONDS</b>						
<b>CANADIAN BONDS</b>						
<b>CORPORATE</b>						
3 973	Access Justice Durham Ltd.	5.015	31-Aug-2039	\$ 4 373	\$ 4 572	
6 433	Access Prairies Partnership	4.232	01-Mar-2048	6 432	6 706	
2 341	Access Roads Edmonton Ltd.	5.669	30-Sep-2037	2 627	2 814	
4 254	Access Roads Edmonton Ltd.	5.812	30-Sep-2037	5 010	5 126	
7 095	Aéroports de Montréal	6.950	16-Apr-2032	9 634	9 340	
4 890	Aéroports de Montréal	5.170	17-Sep-2035	6 329	6 264	
4 520	Aéroports de Montréal	5.670	16-Oct-2037	6 141	6 213	
4 571	Aéroports de Montréal	3.919	26-Sep-2042	5 034	5 162	
1 460	Aéroports de Montréal	3.918	12-Jun-2045	1 639	1 662	
16 975	Aéroports de Montréal	3.360	24-Apr-2047	17 347	17 660	
26 825	Alberta Powerline LP	3.340	01-Jun-2032	26 825	27 350	
26 810	Alberta Powerline LP	3.351	01-Sep-2032	26 810	27 233	
5 920	Alberta Powerline LP	4.065	01-Dec-2053	5 920	6 341	
6 075	Alberta Powerline LP	4.065	01-Mar-2054	6 075	6 508	
17 000	Alectra Inc.	4.521	29-Apr-2021	17 802	18 208	
11 033	Alectra Inc.	3.033	25-Jul-2022	11 024	11 330	
8 374	Alectra Inc.	3.239	21-Nov-2024	8 540	8 666	
28 565	Alectra Inc.	2.488	17-May-2027	27 940	27 756	
7 182	Alliance Pipeline LP	4.928	16-Dec-2019	7 845	7 415	
17 145	Alliance Pipeline LP	7.181	30-Jun-2023	20 578	19 239	
2 397	Alliance Pipeline LP	5.546	31-Dec-2023	2 659	2 515	
12 747	Alliance Pipeline LP	6.765	31-Dec-2025	15 273	14 534	
9 804	Alliance Pipeline LP	7.217	31-Dec-2025	12 161	11 387	
9 870	AltaLink Investments LP	3.674	05-Jun-2019	9 911	10 043	
20 357	AltaLink Investments LP	3.265	05-Jun-2020	20 332	20 755	
12 886	AltaLink Investments LP	2.244	07-Mar-2022	12 886	12 719	
1 017	BC Tel	9.650	08-Apr-2022	1 380	1 287	
3 700	Bell Canada	3.500	10-Sep-2018	3 849	3 742	
1 928	Blackbird Infrastructure 407 GP	3.760	30-Jun-2047	1 972	1 931	
8 378	Bow Centre Street LP	3.690	14-Jun-2021	8 373	8 266	
3 841	Bow Centre Street LP	3.693	14-Jun-2022	3 849	3 756	
25 925	Bow Centre Street LP	3.797	13-Jun-2023	25 479	25 017	
29 977	Brookfield Asset Management Inc.	5.040	08-Mar-2024	30 780	32 877	
32 192	Brookfield Asset Management Inc.	4.820	28-Jan-2026	33 192	34 892	
315	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	315	323	
20 352	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	20 389	20 701	
21 586	Brookfield Infrastructure Finance ULC	3.315	22-Feb-2024	21 830	21 502	
9 135	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	10 105	9 773	
11 240	Brookfield Renewable Energy Partners ULC	3.752	02-Jun-2025	11 704	11 491	
10 955	Bruce Power LP	2.844	23-Jun-2021	10 981	11 036	
6 955	Bruce Power LP	3.000	21-Jun-2024	6 954	6 954	
12 955	Bruce Power LP	3.969	23-Jun-2026	13 366	13 578	
20 580	Bruce Power LP	4.010	21-Jun-2029	20 674	21 453	
12 185	Cameco Corp.	5.670	02-Sep-2019	13 674	12 640	
14 956	Cameco Corp.	3.750	14-Nov-2022	15 113	14 772	
21 915	Cameco Corp.	4.190	24-Jun-2024	21 934	21 754	
6 095	Canadian Utilities Ltd.	9.400	01-May-2023	9 040	8 057	
2 600	Centra Gas Ontario Inc.	8.650	19-Oct-2018	3 506	2 733	
5 624	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	5 799	5 701	
5 740	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	6 117	5 907	

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

## PHILLIPS, HAGER &amp; NORTH BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
5 751	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	\$ 5 765	\$ 5 772	
16 257	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	16 275	16 171	
9 265	Cominar Real Estate Investment Trust	4.247	23-May-2023	9 265	9 153	
8 525	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	8 525	8 615	
7 834	Crosslinx Transit Solutions GP	4.555	30-Jun-2051	7 812	7 851	
5 390	CU Inc.	11.770	30-Nov-2020	8 209	6 768	
13 965	CU Inc.	9.920	01-Apr-2022	21 598	17 931	
14 712	CU Inc.	6.215	06-Mar-2024	17 709	17 606	
5 830	CU Inc.	5.563	26-May-2028	7 202	7 036	
1 339	CU Inc.	5.896	20-Nov-2034	1 825	1 769	
7 418	CU Inc.	5.556	30-Oct-2037	8 937	9 655	
1 335	CU Inc.	4.722	09-Sep-2043	1 601	1 615	
1 000	CU Inc.	3.964	27-Jul-2045	1 076	1 084	
2 272	CU Inc.	3.857	14-Nov-2052	2 472	2 397	
10 575	CU Inc.	4.558	07-Nov-2053	11 413	12 656	
21 075	CU Inc.	4.094	19-Oct-2054	21 085	23 135	
10 535	CU Inc.	4.211	29-Oct-2055	10 543	11 968	
5 346	Dufferin Wind Power Inc.	4.317	30-Nov-2033	5 346	5 397	
14 936	Eagle Credit Card Trust	2.849	17-Oct-2018	14 936	15 054	
2 207	Edmonton Regional Airport Authority	7.214	01-Nov-2030	2 983	2 800	
19 456	EllisDon Infrastructure JBH Inc.	2.018	28-Nov-2019	19 678	19 453	
1 458	Emera Inc.	4.830	02-Dec-2019	1 597	1 525	
5 505	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	5 835	5 785	
17 215	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	19 500	18 792	
4 375	Enbridge Gas Distribution Inc.	3.310	11-Sep-2025	4 397	4 542	
10 735	Enbridge Gas Distribution Inc.	2.500	05-Aug-2026	10 758	10 491	
1 305	Enbridge Gas Distribution Inc.	6.160	16-Dec-2033	1 758	1 747	
6 154	Enbridge Gas Distribution Inc.	5.210	25-Feb-2036	7 674	7 614	
9 650	Enbridge Gas Distribution Inc.	4.500	23-Nov-2043	11 005	11 254	
1 240	Enbridge Gas Distribution Inc.	4.000	22-Aug-2044	1 275	1 348	
1 855	Enbridge Gas Distribution Inc.	4.950	22-Nov-2050	2 255	2 331	
15 353	Enbridge Inc.	4.770	02-Sep-2019	16 459	15 958	
14 569	Enbridge Inc.	4.260	01-Feb-2021	15 061	15 235	
4 211	Enbridge Inc.	3.160	11-Mar-2021	4 272	4 266	
1 875	Enbridge Inc.	6.100	14-Jul-2028	2 093	2 154	
1 349	Enbridge Inc.	5.750	02-Sep-2039	1 519	1 575	
2 757	Enbridge Inc.	5.120	28-Sep-2040	2 993	2 998	
3 285	Enbridge Income Fund	4.100	22-Feb-2019	3 434	3 352	
2 690	Enbridge Pipelines Inc.	6.620	19-Nov-2018	2 980	2 801	
5 006	Enbridge Pipelines Inc.	2.930	30-Nov-2022	5 046	5 081	
920	Enbridge Pipelines Inc.	3.790	17-Aug-2023	991	969	
3 140	Enbridge Pipelines Inc.	6.350	17-Nov-2023	3 739	3 684	
4 382	Enbridge Pipelines Inc.	8.200	15-Feb-2024	5 934	5 608	
18 870	Enbridge Pipelines Inc.	3.450	29-Sep-2025	19 146	19 437	
8 086	Enbridge Pipelines Inc.	3.000	10-Aug-2026	8 152	8 036	
18 354	Enbridge Pipelines Inc.	5.330	06-Apr-2040	21 201	22 076	
6 936	Enbridge Pipelines Inc.	4.550	17-Aug-2043	7 853	7 570	
16 338	Enbridge Pipelines Inc.	4.550	29-Sep-2045	16 962	17 888	
2 243	Enbridge Pipelines Inc.	4.130	09-Aug-2046	2 248	2 323	
15 625	Enbridge Southern Lights LP	4.014	30-Jun-2040	15 620	15 481	
21 769	Enmax Corp.	6.150	19-Jun-2018	24 704	22 180	
7 250	Enwave Energy Corp.	3.943	07-Dec-2037	7 250	7 278	
960	Fortis Inc.	2.850	12-Dec-2023	961	959	
2 060	FortisAlberta Inc.	5.850	15-Apr-2038	2 622	2 765	
4 332	FortisAlberta Inc.	4.850	11-Sep-2043	5 342	5 308	
1 650	FortisAlberta Inc.	4.110	29-Sep-2044	1 836	1 826	
448	FortisAlberta Inc.	4.800	27-Oct-2050	513	555	

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

## PHILLIPS, HAGER &amp; NORTH BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
1 860	FortisBC Energy Inc.	5.550	25-Sep-2036	\$ 2 187	\$ 2 396	
5 332	FortisBC Energy Inc.	6.000	02-Oct-2037	7 098	7 238	
4 130	FortisBC Energy Inc.	5.200	06-Dec-2040	4 469	5 218	
9 985	Gaz Metro Inc.	4.930	18-Jun-2019	11 144	10 396	
6 035	Gaz Metro Inc.	5.450	12-Jul-2021	7 003	6 678	
2 500	Gaz Metro Inc.	9.000	16-May-2025	3 777	3 494	
55 005	Genesis Trust II	1.675	17-Sep-2018	55 010	54 975	
48 220	Genesis Trust II	2.433	15-May-2019	48 588	48 470	
7 207	Grand Renewable Solar LP	3.926	31-Jan-2035	7 207	7 121	
3 356	Great Lakes Power Ltd.	6.600	16-Jun-2023	3 864	3 837	
1 625	Great-West Lifeco Finance Delaware LP II	7.127	26-Jun-2068	1 769	1 666	
13 881	Greater Toronto Airports Authority	6.450	03-Dec-2027	18 655	18 337	
949	Greater Toronto Airports Authority	6.450	30-Jul-2029	1 203	1 156	
1 000	Greater Toronto Airports Authority	7.050	12-Jun-2030	1 474	1 429	
4 256	Greater Toronto Airports Authority	7.100	04-Jun-2031	6 300	6 199	
13 955	Greater Toronto Airports Authority	6.980	15-Oct-2032	20 184	20 594	
11 147	Greater Toronto Airports Authority	6.470	02-Feb-2034	15 992	16 023	
4 041	Greater Toronto Airports Authority	5.630	07-Jun-2040	5 311	5 654	
5 836	Greater Toronto Airports Authority	5.300	25-Feb-2041	7 696	7 929	
3 560	Greater Toronto Airports Authority	4.530	02-Dec-2041	4 321	4 408	
36 355	H2O Power LP	3.310	30-Nov-2029	36 355	36 076	
10 537	Hospital Infrastructure Partners NOH Partnership	5.439	31-Jan-2045	12 378	12 363	
19 655	Hydro One Inc.	1.620	30-Apr-2020	19 652	19 437	
12 150	Hydro One Inc.	1.840	24-Feb-2021	12 186	11 997	
280	Hydro One Inc.	6.930	01-Jun-2032	413	394	
1 369	Hydro One Inc.	6.350	31-Jan-2034	1 825	1 862	
3 668	Hydro One Inc.	4.890	13-Mar-2037	4 286	4 375	
2 377	Hydro One Inc.	6.030	03-Mar-2039	3 132	3 256	
1 555	Hydro One Inc.	6.590	22-Apr-2043	2 321	2 344	
5 025	Hydro One Inc.	4.590	09-Oct-2043	6 146	5 918	
20 798	Hydro Ottawa Holdings Inc.	2.614	03-Feb-2025	20 785	20 537	
1 710	Hydro Ottawa Holdings Inc.	3.639	02-Feb-2045	1 629	1 721	
780	Inter Pipeline Corridor Inc.	4.897	03-Feb-2020	864	818	
13 709	Kingston Solar LP	3.571	31-Jul-2035	13 709	13 349	
11 499	Lower Mattagami Energy LP	4.331	18-May-2021	12 739	12 251	
5 215	Lower Mattagami Energy LP	2.307	21-Oct-2026	5 215	5 021	
10 360	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	10 358	10 841	
373	Maritimes & Northeast Pipeline LP	4.340	30-Nov-2019	373	379	
14 814	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	14 816	15 073	
8 350	Mountain View Partners GP	3.974	31-Mar-2051	8 350	8 395	
11 669	North Battleford Power LP	4.958	31-Dec-2032	11 760	12 890	
8 783	North West Redwater Partnership	3.200	24-Apr-2026	8 769	8 859	
21 551	North West Redwater Partnership	2.800	01-Jun-2027	21 006	20 866	
7 725	North West Redwater Partnership	4.250	01-Jun-2029	7 745	8 382	
20 255	North West Redwater Partnership	4.150	01-Jun-2033	20 633	21 817	
7 185	North West Redwater Partnership	3.650	01-Jun-2035	7 180	7 264	
6 529	North West Redwater Partnership	4.750	01-Jun-2037	6 649	7 484	
5 540	North West Redwater Partnership	4.350	10-Jan-2039	5 569	6 012	
10 924	North West Redwater Partnership	4.050	22-Jul-2044	11 205	11 413	
4 306	Northland Power Solar Finance One LP	4.397	30-Jun-2032	4 307	4 512	
6 286	Nova Gas Transmission Ltd.	9.900	16-Dec-2024	9 442	8 900	
3 285	Nova Gas Transmission Ltd.	8.900	27-May-2025	4 969	4 449	
2 625	Nova Gas Transmission Ltd.	8.875	27-May-2026	3 744	3 670	
8 500	Nova Scotia Power Inc.	9.750	02-Aug-2019	11 904	9 420	
13 343	Nova Scotia Power Inc.	8.850	19-May-2025	19 616	18 249	
1 268	Nova Scotia Power Inc.	5.670	14-Nov-2035	1 529	1 614	
4 875	Nova Scotia Power Inc.	5.950	27-Jul-2039	6 331	6 587	
4 125	Nova Scotia Power Inc.	5.610	15-Jun-2040	5 525	5 379	

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## PHILLIPS, HAGER &amp; NORTH BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
1 448	OMERS Realty Corp.	2.498	05-Jun-2018	\$ 1 447	\$ 1 453	
7 705	OMERS Realty Corp.	2.473	12-Nov-2019	7 705	7 753	
26 290	Ontario Power Generation Inc.	3.315	04-Oct-2027	26 516	26 735	
1 434	Ottawa MacDonald-Cartier International Airport Authority	6.973	25-May-2032	1 947	1 834	
2 382	Pembina Pipeline Corp.	3.770	24-Oct-2022	2 476	2 463	
21 482	Pembina Pipeline Corp.	3.540	03-Feb-2025	21 421	21 652	
6 606	Plenary Health Hamilton LP	5.796	31-May-2043	8 501	8 278	
10 227	Plenary Health North Bay Finco Inc.	5.182	13-Mar-2040	11 064	11 134	
8 465	PSS Generating Station LP	4.795	24-Oct-2067	8 465	9 302	
13 850	Ridley Grain Ltd.	5.227	01-Aug-2024	13 850	14 888	
22 530	Royal Bank of Canada*	2.820	12-Jul-2018	23 113	22 665	
14 759	Royal Bank of Canada*	2.770	11-Dec-2018	15 168	14 886	
212 391	Royal Bank of Canada*	1.400	26-Apr-2019	212 783	211 055	
9 851	SEC LP and Arci Ltd.	5.188	29-Aug-2033	9 873	10 366	
9 075	SGTP Highway Bypass LP	4.105	31-Jan-2045	9 076	9 541	
5 235	Sun Life Financial Inc.	2.770	13-May-2024	5 296	5 260	
8 637	TELUS Corp.	4.750	17-Jan-2045	8 623	9 082	
12 960	TMX Group Ltd.	3.253	03-Oct-2018	12 993	13 101	
5 525	Toromont Industries Ltd.	3.710	30-Sep-2025	5 525	5 656	
3 619	Toronto Hydro Corp.	4.490	12-Nov-2019	3 984	3 777	
8 595	Toronto Hydro Corp.	3.540	18-Nov-2021	9 294	8 990	
8 453	TransCanada PipeLines Ltd.	4.550	15-Nov-2041	8 905	9 343	
10 762	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	10 835	11 566	
17 360	TransCanada PipeLines Ltd.	4.330	16-Sep-2047	17 367	18 585	
21 990	TransEd Partners GP	3.951	30-Sep-2050	20 339	21 617	
31 125	Union Gas Ltd.	5.350	27-Apr-2018	35 965	31 484	
14 896	Union Gas Ltd.	8.750	03-Aug-2018	19 119	15 486	
9 682	Union Gas Ltd.	8.650	10-Nov-2025	13 643	13 450	
1 650	Union Gas Ltd.	2.810	01-Jun-2026	1 629	1 651	
2 000	Union Gas Ltd.	6.050	02-Sep-2038	2 651	2 743	
1 768	Union Gas Ltd.	5.200	23-Jul-2040	2 143	2 233	
5 000	Union Gas Ltd.	4.880	21-Jun-2041	5 826	6 076	
4 059	Union Gas Ltd.	4.200	02-Jun-2044	4 555	4 546	
4 325	Union Gas Ltd.	3.800	01-Jun-2046	4 425	4 551	
2 520	Vancouver Airport Authority	3.857	10-Nov-2045	2 812	2 853	
6 009	Vancouver Fraser Port Authority	4.630	20-Apr-2020	6 815	6 263	
3 910	Westcoast Energy Inc.	5.600	16-Jan-2019	4 311	4 048	
9 898	Westcoast Energy Inc.	3.883	28-Oct-2021	10 544	10 373	
1 476	Westcoast Energy Inc.	3.120	05-Dec-2022	1 375	1 505	
3 692	Westcoast Energy Inc.	6.750	15-Dec-2027	4 754	4 611	
1 465	Westcoast Energy Inc.	7.150	20-Mar-2031	1 931	1 927	
4 091	Westcoast Energy Inc.	4.791	28-Oct-2041	4 389	4 532	
4 850	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	4 851	4 945	
5 323	Winnipeg Airport Authority Inc.	6.102	20-Nov-2040	5 503	6 868	
4 575	Winnipeg Airport Authority Inc.	3.659	30-Sep-2047	4 575	4 857	
				2 273 811	2 267 715	23.2
<b>FEDERAL</b>						
122 444	Canada Housing Trust No. 1	1.250	15-Dec-2020	122 107	120 144	
125 248	Canada Housing Trust No. 1	3.350	15-Dec-2020	136 836	130 400	
263 427	Canada Housing Trust No. 1	1.250	15-Jun-2021	263 335	256 995	
25 224	Canada Housing Trust No. 1	3.800	15-Jun-2021	26 928	26 741	
65 066	Canada Housing Trust No. 1	1.150	15-Dec-2021	63 783	62 866	
119 053	Canada Housing Trust No. 1	1.500	15-Dec-2021	118 781	116 600	
53 349	Canada Housing Trust No. 1	2.650	15-Mar-2022	56 880	54 585	
264 785	Canada Housing Trust No. 1	1.750	15-Jun-2022	265 903	260 892	
340 761	Canada Housing Trust No. 1	2.400	15-Dec-2022	345 775	344 899	
11 939	Canada Housing Trust No. 1	2.250	15-Dec-2025	12 003	11 857	

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## PHILLIPS, HAGER &amp; NORTH BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>FEDERAL (cont.)</b>						
8 969	Canada Housing Trust No. 1	1.900	15-Sep-2026	\$ 8 705	\$ 8 635	
152 627	Canada Housing Trust No. 1	2.350	15-Jun-2027	152 570	152 081	
37 832	Canada Housing Trust No. 1	2.350	15-Mar-2028	37 799	37 607	
3 391	CBC Monetization Trust	4.688	15-May-2027	3 426	3 726	
3 815	Government of Canada	1.750	01-Sep-2019	3 839	3 820	
70 444	Government of Canada	1.250	01-Nov-2019	70 200	69 896	
53 053	Government of Canada	1.250	01-Feb-2020	52 552	52 552	
138 266	Government of Canada	1.500	01-Mar-2020	140 668	137 647	
65 109	Government of Canada	3.500	01-Jun-2020	70 872	67 832	
436 478	Government of Canada	0.750	01-Sep-2020	435 179	425 444	
181 019	Government of Canada	0.750	01-Mar-2021	180 810	175 369	
216 683	Government of Canada	3.250	01-Jun-2021	236 314	227 155	
36 074	Government of Canada	1.000	01-Sep-2022	34 981	34 691	
305 048	Government of Canada	1.750	01-Mar-2023	305 232	302 908	
238 018	Government of Canada	1.500	01-Jun-2023	237 534	233 217	
47 823	Government of Canada	2.500	01-Jun-2024	49 542	49 421	
26 460	Government of Canada	2.250	01-Jun-2025	27 030	26 929	
136 720	Government of Canada	1.500	01-Jun-2026	132 309	131 206	
61 387	Government of Canada	2.000	01-Jun-2028	61 482	60 935	
2 614	Government of Canada	3.500	01-Dec-2045	3 316	3 268	
15 497	Government of Canada	1.250	01-Dec-2047	17 877	18 395	
178 038	Government of Canada	2.750	01-Dec-2048	198 419	197 198	
16 939	Government of Canada	0.500	01-Dec-2050	16 439	16 715	
37 383	Government of Canada	2.000	01-Dec-2051	35 668	35 006	
				3 925 094	3 857 632	39.6
<b>PROVINCIAL/MUNICIPAL</b>						
17 270	City of Montreal	3.000	01-Sep-2025	17 678	17 602	
790	City of Montreal	2.750	01-Sep-2026	789	788	
1 440	City of Ottawa	4.462	18-Jul-2025	1 585	1 517	
1 143	City of Ottawa	4.990	28-Aug-2026	1 297	1 259	
7 630	City of Ottawa	4.600	14-Jul-2042	9 120	9 475	
9 701	City of Ottawa	3.100	27-Jul-2048	9 274	9 553	
4 175	City of Vancouver	2.900	20-Nov-2025	4 257	4 238	
8 199	First Nations Finance Authority	3.050	01-Jun-2028	8 184	8 234	
8 322	Hospital for Sick Children	5.217	16-Dec-2049	8 344	11 202	
14 175	Hospital for Sick Children	3.416	07-Dec-2057	14 175	14 272	
5 060	McGill University	6.150	22-Sep-2042	7 020	7 402	
2 640	Municipal Finance Authority of British Columbia	4.950	01-Dec-2027	3 167	3 144	
33 717	Ontario Electricity Financial Corp.	8.500	26-May-2025	48 025	46 881	
57 493	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	79 547	81 398	
18 297	Ontario School Boards Financing Corp.	5.900	11-Oct-2027	21 585	20 840	
6 916	Ontrea Inc.	4.619	09-Apr-2018	6 952	6 974	
11 220	OPB Finance Trust	2.950	02-Feb-2026	11 218	11 390	
32 580	OPB Finance Trust	2.980	25-Jan-2027	32 583	32 944	
7 778	Province of Manitoba	4.050	05-Sep-2045	8 498	9 216	
94 081	Province of Alberta	2.350	01-Jun-2025	95 845	92 925	
7 736	Province of Alberta	3.900	01-Dec-2033	8 452	8 708	
29 955	Province of Alberta	3.450	01-Dec-2043	33 305	32 336	
74 688	Province of Alberta	3.300	01-Dec-2046	78 031	78 873	
91 522	Province of Manitoba	2.850	05-Sep-2046	84 277	87 990	
15 350	Province of New Brunswick	3.650	03-Jun-2024	17 032	16 403	
19 710	Province of New Brunswick	4.800	26-Sep-2039	25 638	25 050	
7 865	Province of New Brunswick	4.800	03-Jun-2041	9 525	10 087	
14 909	Province of New Brunswick	3.550	03-Jun-2043	14 436	16 067	
36 992	Province of New Brunswick	3.800	14-Aug-2045	39 473	41 694	
31 031	Province of Newfoundland and Labrador	3.300	17-Oct-2046	29 066	31 438	
14 334	Province of Ontario	2.850	02-Jun-2023	15 303	14 732	

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

## PHILLIPS, HAGER &amp; NORTH BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>PROVINCIAL/MUNICIPAL (cont.)</b>						
62 308	Province of Ontario	8.100	08-Sep-2023	\$ 87 899	\$ 81 164	
192 927	Province of Ontario	3.500	02-Jun-2024	213 676	205 356	
18 049	Province of Ontario	2.600	02-Jun-2025	18 630	18 167	
91 874	Province of Ontario	8.500	02-Dec-2025	137 018	130 199	
112 192	Province of Ontario	2.400	02-Jun-2026	111 125	110 809	
183 837	Province of Ontario	6.200	02-Jun-2031	258 592	253 845	
155 205	Province of Ontario	5.600	02-Jun-2035	215 493	213 360	
31 008	Province of Ontario	4.700	02-Jun-2037	39 292	39 300	
167 682	Province of Ontario	4.600	02-Jun-2039	217 773	212 295	
246 612	Province of Ontario	3.500	02-Jun-2043	261 388	270 952	
72 725	Province of Ontario	2.900	02-Dec-2046	70 649	72 056	
29 048	Province of Ontario	2.800	02-Jun-2048	27 965	28 270	
37 574	Province of Ontario	2.900	02-Jun-2049	37 529	37 380	
50 077	Province of Quebec	9.375	16-Jan-2023	75 782	66 821	
103 615	Province of Quebec	8.500	01-Apr-2026	159 853	148 578	
475	Province of Quebec	2.500	01-Sep-2026	475	473	
8 248	Province of Quebec	2.750	01-Sep-2027	8 472	8 359	
68 563	Province of Quebec	6.000	01-Oct-2029	90 182	91 038	
7 135	Province of Quebec	5.750	01-Dec-2036	9 964	10 129	
9 071	Province of Quebec	5.000	01-Dec-2041	11 755	12 294	
12 775	Province of Quebec	3.500	01-Dec-2045	13 996	14 148	
25 541	Province of Quebec	3.500	01-Dec-2048	27 927	28 572	
16 187	Province of Saskatchewan	2.550	02-Jun-2026	16 267	16 132	
7 761	Province of Saskatchewan	6.400	05-Sep-2031	11 432	10 863	
22 439	Province of Saskatchewan	3.900	02-Jun-2045	27 375	26 182	
28 328	Province of Saskatchewan	2.750	02-Dec-2046	27 577	26 950	
22 138	South Coast British Columbia Transportation Authority	3.800	02-Nov-2020	22 572	23 151	
6 510	South Coast British Columbia Transportation Authority	4.450	09-Jun-2044	7 583	7 964	
12 771	South Coast British Columbia Transportation Authority	3.150	16-Nov-2048	12 751	12 706	
7 829	University of British Columbia	6.650	01-Dec-2031	10 481	10 769	
4 400	University of Toronto	4.937	16-Nov-2045	5 820	5 625	
35 043	York Region District School Board	5.531	13-May-2026	39 069	39 154	
9 633	York Region District School Board	4.616	21-Jun-2027	10 417	10 408	
				3 030 460	2 998 101	<b>30.8</b>
<b>TOTAL CANADIAN BONDS</b>				9 229 365	9 123 448	<b>93.6</b>
<b>UNITED STATES BONDS</b>						
19 075	Anheuser-Busch InBev Finance Inc. CAD	2.600	15-May-2024	19 087	18 666	
24 605	AT&T Inc. CAD	3.825	25-Nov-2020	25 100	25 460	
8 461	Bank of America Corp. CAD	3.228	22-Jun-2022	8 725	8 643	
22 615	Bank of America Corp. CAD	2.604	15-Mar-2023	22 615	22 461	
9 655	Bank of America Corp. CAD	3.407	20-Sep-2025	9 655	9 825	
18 036	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	17 532	17 810	
12 940	Molson Coors International LP CAD	2.250	18-Sep-2018	12 910	12 968	
26 850	Molson Coors International LP CAD	2.750	18-Sep-2020	26 695	26 974	
7 525	Molson Coors International LP CAD	3.440	15-Jul-2026	7 543	7 407	
32 850	United Parcel Service Inc. CAD	2.125	21-May-2024	32 706	31 826	
37 950	United States Treasury	1.250	30-Jun-2019	46 978	47 288	
5 565	Wells Fargo & Co. CAD	2.222	15-Mar-2021	5 565	5 515	
41 950	Wells Fargo & Co. CAD	2.509	27-Oct-2023	41 996	40 981	
<b>TOTAL UNITED STATES BONDS</b>				277 107	275 824	<b>2.8</b>
<b>TOTAL BONDS</b>				9 506 472	9 399 272	<b>96.4</b>

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

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

**PHILLIPS, HAGER & NORTH**  
Investment Management®

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>MORTGAGE-BACKED SECURITIES</b>						
1 973	Equitable Bank	4.350	01-Jan-2018	\$ 2 051	\$ 1 974	
3 768	Peoples Trust	4.200	01-Oct-2019	3 797	3 894	
<b>TOTAL MORTGAGE-BACKED SECURITIES</b>				<b>5 848</b>	<b>5 868</b>	<b>0.1</b>
<b>MORTGAGES</b>						
<b>CMHC Insured</b>						
20 748	4.980% Jan 01, 2018			20 748	20 748	
22 746	5.040% Jan 01, 2019			22 892	23 365	
495	2.980% Jul 01, 2019			495	496	
1 919	4.860% Jun 05, 2020			1 945	2 017	
3 684	4.260% Nov 01, 2022			3 684	3 920	
7 862	3.160% Sep 05, 2024			7 878	7 754	
<b>TOTAL MORTGAGES</b>				<b>57 642</b>	<b>58 300</b>	<b>0.6</b>
<b>SHORT-TERM INVESTMENTS†</b>				<b>231 617</b>	<b>231 617</b>	<b>2.4</b>
<b>TOTAL INVESTMENTS</b>				<b>\$ 9 801 579</b>	<b>9 695 057</b>	<b>99.5</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					<b>48 915</b>	<b>0.5</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					<b>\$ 9 743 972</b>	<b>100.0</b>

\* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.22% to 1.69% and mature between January 2, 2018 and June 27, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 9 695 057	\$ 10 319 580
Cash	12 668	11 142
Due from investment dealers	—	55 390
Subscriptions receivable	6 242	10 542
Dividends receivable, interest accrued and other assets	43 803	51 839
<b>TOTAL ASSETS</b>	<b>9 757 770</b>	<b>10 448 493</b>
<b>LIABILITIES</b>		
Due to investment dealers	—	8 882
Redemptions payable	13 196	54 040
Accounts payable and accrued expenses	602	664
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>13 798</b>	<b>63 586</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 9 743 972</b>	<b>\$ 10 384 907</b>
Investments at cost	\$ 9 801 579	\$ 10 448 262
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 80 316</b>	<b>\$ 101 217</b>
<b>ADVISOR SERIES</b>	<b>\$ 38 041</b>	<b>\$ 46 859</b>
<b>SERIES D</b>	<b>\$ 548 269</b>	<b>\$ 600 761</b>
<b>SERIES F</b>	<b>\$ 94 337</b>	<b>\$ 104 591</b>
<b>SERIES O</b>	<b>\$ 8 983 009</b>	<b>\$ 9 531 479</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 10.27</b>	<b>\$ 10.32</b>
<b>ADVISOR SERIES</b>	<b>\$ 10.28</b>	<b>\$ 10.32</b>
<b>SERIES D</b>	<b>\$ 10.19</b>	<b>\$ 10.23</b>
<b>SERIES F</b>	<b>\$ 10.24</b>	<b>\$ 10.28</b>
<b>SERIES O</b>	<b>\$ 10.20</b>	<b>\$ 10.24</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 296 929	\$ 308 697
Securities lending revenue (see note 7 in the generic notes)	69	—
Net realized gain (loss) on investments	(59 472)	100 662
Net gain (loss) on foreign currencies and other net assets	5 986	1 166
Change in unrealized gain (loss) on investments	22 160	(204 836)
<b>TOTAL INCOME (LOSS)</b>	<b>265 672</b>	<b>205 689</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	4 488	5 133
Administration fees	2 229	2 210
Independent Review Committee costs	3	2
GST/HST	688	743
<b>TOTAL EXPENSES</b>	<b>7 408</b>	<b>8 088</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 258 264</b>	<b>\$ 197 601</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 1 528</b>	<b>\$ 1 564</b>
<b>ADVISOR SERIES</b>	<b>\$ 701</b>	<b>\$ 660</b>
<b>SERIES D</b>	<b>\$ 11 817</b>	<b>\$ 11 763</b>
<b>SERIES F</b>	<b>\$ 2 142</b>	<b>\$ 1 747</b>
<b>SERIES O</b>	<b>\$ 242 076</b>	<b>\$ 181 867</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.17</b>	<b>\$ 0.15</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.17</b>	<b>\$ 0.14</b>
<b>SERIES D</b>	<b>\$ 0.21</b>	<b>\$ 0.20</b>
<b>SERIES F</b>	<b>\$ 0.22</b>	<b>\$ 0.18</b>
<b>SERIES O</b>	<b>\$ 0.27</b>	<b>\$ 0.22</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 258 264	\$ 197 601
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	(398)	(827)
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	59 472	(100 662)
Change in unrealized loss (gain) on investments	(22 160)	204 836
(Increase) decrease in accrued receivables	8 036	(868)
Increase (decrease) in accrued payables	(62)	(4)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(14 825 508)	(20 924 089)
Proceeds from sale and maturity of investments	15 459 625	19 276 445
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>937 269</b>	<b>(1 347 568)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	1 516 392	2 641 702
Cash paid on redemption of redeemable units	(2 444 793)	(1 271 214)
Distributions paid to holders of redeemable units	(7 342)	(12 099)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (935 743)</b>	<b>\$ 1 358 389</b>
Net increase (decrease) in cash for the period	1 526	10 821
Cash (bank overdraft), beginning of period	11 142	321
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 12 668</b>	<b>\$ 11 142</b>
Interest received (paid)	\$ 304 567	\$ 307 002
Dividends received, net of withholding taxes	\$ —	\$ —

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 101 217</b>	<b>\$ 112 560</b>	<b>\$ 46 859</b>	<b>\$ 44 408</b>	<b>\$ 600 761</b>	<b>\$ 616 099</b>	<b>\$ 104 591</b>	<b>\$ 94 082</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>1 528</b>	<b>1 564</b>	<b>701</b>	<b>660</b>	<b>11 817</b>	<b>11 763</b>	<b>2 142</b>	<b>1 747</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	3 780	11 975	4 783	15 882	23 330	55 436	15 181	35 292
Reinvestments of distributions to holders of redeemable units	1 694	3 185	744	1 411	13 151	21 672	2 081	3 251
Redemption of redeemable units	(26 113)	(24 698)	(14 227)	(13 943)	(86 827)	(81 270)	(27 062)	(25 806)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(20 639)</b>	<b>(9 538)</b>	<b>(8 700)</b>	<b>3 350</b>	<b>(50 346)</b>	<b>(4 162)</b>	<b>(9 800)</b>	<b>12 737</b>
Distributions from net income	(1 790)	(2 173)	(819)	(1 004)	(13 963)	(15 796)	(2 596)	(2 734)
Distributions from net gains	—	(1 196)	—	(555)	—	(7 143)	—	(1 241)
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(1 790)</b>	<b>(3 369)</b>	<b>(819)</b>	<b>(1 559)</b>	<b>(13 963)</b>	<b>(22 939)</b>	<b>(2 596)</b>	<b>(3 975)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(20 901)</b>	<b>(11 343)</b>	<b>(8 818)</b>	<b>2 451</b>	<b>(52 492)</b>	<b>(15 338)</b>	<b>(10 254)</b>	<b>10 509</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 80 316</b>	<b>\$ 101 217</b>	<b>\$ 38 041</b>	<b>\$ 46 859</b>	<b>\$ 548 269</b>	<b>\$ 600 761</b>	<b>\$ 94 337</b>	<b>\$ 104 591</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 9 531 479</b>	<b>\$ 8 009 643</b>	<b>\$ 10 384 907</b>	<b>\$ 8 876 792</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>242 076</b>	<b>181 867</b>	<b>258 264</b>	<b>197 601</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	1 475 652	2 524 081	1 522 726	2 642 666
Reinvestments of distributions to holders of redeemable units	264 645	382 605	282 315	412 124
Redemption of redeemable units	(2 260 354)	(1 174 336)	(2 414 583)	(1 320 053)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(520 057)</b>	<b>1 732 350</b>	<b>(609 542)</b>	<b>1 734 737</b>
Distributions from net income	(270 489)	(278 182)	(289 657)	(299 889)
Distributions from net gains	—	(114 199)	—	(124 334)
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(270 489)</b>	<b>(392 381)</b>	<b>(289 657)</b>	<b>(424 223)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(548 470)</b>	<b>1 521 836</b>	<b>(640 935)</b>	<b>1 508 115</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 8 983 009</b>	<b>\$ 9 531 479</b>	<b>\$ 9 743 972</b>	<b>\$ 10 384 907</b>

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

December 31, 2017

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 5 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 2017	December 31 2016
AAA	44.8	33.9
AA	28.9	33.7
A	15.8	15.9
BBB	9.3	15.8
BB	0.5	—
Unrated*	0.7	0.7
Total	100.0	100.0

\* Mortgages, which represent 84.0% (December 31, 2016 – 78.1%) 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, 2017 and 2016, there were no mortgage payments in arrears for more than 90 days.

#### Concentration risk (%)

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

Investment mix	December 31 2017	December 31 2016
Federal Bonds	40.0	26.4
Provincial Bonds	29.0	33.8
Corporate Bonds	25.6	34.3
Municipal Bonds	1.8	0.7
Mortgages	0.6	0.5
Mortgage-Backed Bonds	0.1	0.1
Cash/Other	2.9	4.2
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 2017	December 31 2016
Less than 1 year	2.8	3.9
1 – 5 years	37.0	30.9
5 – 10 years	29.3	31.6
> 10 years	30.9	33.6
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 7.3% (December 31, 2016 – 7.5%). 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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income				
and debt securities	—	9 405 140	58 300	9 463 440
Short-term investments	—	231 617	—	231 617
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	9 636 757	58 300	9 695 057
% of total portfolio	—	99.4	0.6	100.0

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

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

December 31, 2017

During the periods ended December 31, 2017 and 2016, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2017	December 31 2016
Balance at beginning of period	53 788	—
Net purchases	28 609	16
Net sales	(22 128)	(1 347)
Net transfers in	—	56 975
Net transfers out	—	—
Realized gains (losses)	(5)	(5)
Unrealized gains (losses)	(1 964)	(1 851)
Balance at end of period	58 300	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. The Level 3 assets are mortgages which are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs. Mortgages are valued by discounting future cash flows using a discount rate equal to the risk-free rate plus an appropriate risk spread premium. The spread premium is derived by the vendor from their risk rating program and a monthly spread matrix. This quantitative rules-based approach reviews seven risk factors to assess the market risk, credit risk and liquidity premiums to arrive at a total credit score for each mortgage. Among the inputs are the borrowers' financial statements, rent roll and operating statements, the most recent property inspection report and the terms of the mortgage itself.

As at December 31, 2017, a 10% increase or decrease in the weighted average spread premium of 0.97% (December 31, 2016 – 1.01%), an unobservable input, would have increased or decreased the Fund's NAV respectively by approximately 0.0% (December 31, 2016 – 0.0%).

### Management fees and operating expenses (see note 8 in the generic notes)

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

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

<sup>†</sup> Management fees are calculated at the annual rate of 0.50% of the Series D NAV, 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 NAV of Series D.

NAV 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

<sup>‡</sup> 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 2017	December 31 2016
<b>Units held</b>		
Series A	60	59
Advisor Series	120	117
Series D	11	11
Series F	63	61
<b>Value of all units</b>	<b>3</b>	<b>3</b>

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	39 048
Non-capital losses	—



**PHILLIPS, HAGER & NORTH BOND FUND**

December 31, 2017

**Redeemable units (000s)**

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

For the periods ended December 31

(see note 2 in the generic notes)

	2017	2016
--	------	------

**Series A**

Opening units	9 809	10 707
Issued number of units	365	1 122
Reinvested number of units	164	303
Redeemed number of units	(2 520)	(2 323)
Ending number of units	7 818	9 809

**Advisor Series**

Opening units	4 539	4 222
Issued number of units	461	1 491
Reinvested number of units	72	134
Redeemed number of units	(1 371)	(1 308)
Ending number of units	3 701	4 539

**Series D**

Opening units	58 716	59 095
Issued number of units	2 270	5 242
Reinvested number of units	1 288	2 079
Redeemed number of units	(8 460)	(7 700)
Ending number of units	53 814	58 716

**Series F**

Opening units	10 172	8 981
Issued number of units	1 464	3 314
Reinvested number of units	203	310
Redeemed number of units	(2 624)	(2 433)
Ending number of units	9 215	10 172

**Series O**

Opening units	930 497	767 022
Issued number of units	143 617	238 015
Reinvested number of units	25 885	36 670
Redeemed number of units	(219 455)	(111 210)
Ending number of units	880 544	930 497

**Securities lending revenue (\$000s except %)**

(see note 7 in the generic notes)

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

	December 31 2017	December 31 2016
Fair value of securities loaned	1 239 300	—
Fair value of collateral received	1 264 832	—

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.

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	92	100	—	—
RBC IS (paid)	(23)	(25)	—	—
Tax withheld	—	—	—	—
Fund revenue	69	75	—	—

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

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

	December 31 2017	December 31 2016
BonaVista Balanced Fund	0.1	0.1
BonaVista Global Balanced Fund	—	—
BonaVista Private Balanced Fund	0.1	0.1
Phillips, Hager & North Balanced Fund	3.6	3.0
Phillips, Hager & North Balanced Pension Trust	4.8	4.1
Phillips, Hager & North LifeTime 2015 Fund	—	—
RBC Select Conservative Portfolio	0.8	5.8
RBC Select Very Conservative Portfolio	19.0	16.1
Total	28.4	29.2

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND**

December 31, 2017

Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
149 778	Phillips, Hager & North High Yield Bond Fund*	\$ 1 647	\$ 1 712	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>1 647</b>	<b>1 712</b>	<b>—</b>

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>BONDS</b>						
<b>CANADIAN BONDS</b>						
<b>CORPORATE</b>						
8 504	Access Justice Durham Ltd.	5.015	31-Aug-2039	\$ 9 429	\$ 9 787	
5 340	Access Prairies Partnership	4.232	01-Mar-2048	5 340	5 567	
3 380	Access Roads Edmonton Ltd.	5.669	30-Sep-2037	3 998	4 064	
5 534	Aéroports de Montréal	6.950	16-Apr-2032	7 482	7 286	
642	Aéroports de Montréal	6.611	11-Apr-2033	666	840	
1 415	Aéroports de Montréal	6.550	11-Oct-2033	2 001	2 024	
2 570	Aéroports de Montréal	5.170	17-Sep-2035	3 371	3 292	
1 762	Aéroports de Montréal	5.472	16-Apr-2040	2 405	2 415	
1 080	Aéroports de Montréal	3.919	26-Sep-2042	1 210	1 220	
2 765	Aéroports de Montréal	3.918	12-Jun-2045	3 124	3 148	
10 645	Aéroports de Montréal	3.360	24-Apr-2047	10 755	11 075	
23 222	Alberta Powerline LP	3.340	01-Jun-2032	23 222	23 676	
23 207	Alberta Powerline LP	3.351	01-Sep-2032	23 207	23 573	
5 095	Alberta Powerline LP	4.065	01-Dec-2053	5 095	5 458	
5 240	Alberta Powerline LP	4.065	01-Mar-2054	5 240	5 613	
9 355	Alectra Inc.	4.521	29-Apr-2021	9 892	10 020	
7 806	Alectra Inc.	3.033	25-Jul-2022	7 808	8 016	
5 370	Alectra Inc.	3.239	21-Nov-2024	5 453	5 557	
13 695	Alectra Inc.	2.488	17-May-2027	13 601	13 307	
2 050	Alliance Pipeline LP	4.928	16-Dec-2019	2 213	2 116	
14 789	Alliance Pipeline LP	7.181	30-Jun-2023	17 790	16 596	
1 921	Alliance Pipeline LP	5.546	31-Dec-2023	2 138	2 015	
14 579	Alliance Pipeline LP	6.765	31-Dec-2025	16 952	16 622	
9 948	Alliance Pipeline LP	7.217	31-Dec-2025	11 935	11 555	
6 157	AltaGas Ltd.	4.070	01-Jun-2020	6 566	6 373	
17 207	AltaLink Investments LP	3.674	05-Jun-2019	17 909	17 509	
14 695	AltaLink Investments LP	3.265	05-Jun-2020	14 968	14 983	
17 887	AltaLink Investments LP	2.244	07-Mar-2022	17 908	17 655	
9 225	AltaLink LP	3.668	06-Nov-2023	9 908	9 797	
6 215	AltaLink LP	5.381	26-Mar-2040	7 751	8 032	
4 220	BC Tel	9.650	08-Apr-2022	5 700	5 342	
4 623	Bell Canada	3.500	10-Sep-2018	4 814	4 676	
15 000	Bell Canada	5.520	26-Feb-2019	16 552	15 590	
5 000	Bell Canada	3.540	12-Jun-2020	5 267	5 139	
4 080	Bell Canada	3.550	02-Mar-2026	4 069	4 151	
5 725	Bow Centre Street LP	3.690	14-Jun-2021	5 731	5 648	
4 013	Bow Centre Street LP	3.693	14-Jun-2022	4 018	3 924	
17 010	Bow Centre Street LP	3.797	13-Jun-2023	16 874	16 414	
12 301	Brookfield Asset Management Inc.	5.040	08-Mar-2024	12 994	13 491	
39 470	Brookfield Asset Management Inc.	4.820	28-Jan-2026	41 357	42 781	
4 275	Brookfield Infrastructure Finance ULC	3.538	30-Oct-2020	4 280	4 381	
22 150	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	21 971	22 530	
14 340	Brookfield Infrastructure Finance ULC	3.315	22-Feb-2024	14 514	14 284	
8 565	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	9 475	9 163	

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

## PHILLIPS, HAGER &amp; NORTH TOTAL RETURN BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
2 731	Brookfield Renewable Energy Partners ULC	4.790	07-Feb-2022	\$ 2 928	\$ 2 935	
5 000	Brookfield Renewable Energy Partners ULC	3.752	02-Jun-2025	5 204	5 112	
10 065	Bruce Power LP	2.844	23-Jun-2021	10 244	10 139	
5 405	Bruce Power LP	3.000	21-Jun-2024	5 404	5 404	
14 540	Bruce Power LP	3.969	23-Jun-2026	14 833	15 239	
7 995	Bruce Power LP	4.010	21-Jun-2029	7 995	8 334	
7 292	Cameco Corp.	5.670	02-Sep-2019	8 238	7 564	
9 778	Cameco Corp.	3.750	14-Nov-2022	9 886	9 658	
22 160	Cameco Corp.	4.190	24-Jun-2024	22 531	21 997	
1 000	Centra Gas Ontario Inc.	8.650	19-Oct-2018	1 243	1 051	
17 708	Cominar Real Estate Investment Trust	3.620	21-Jun-2019	17 825	17 782	
10 709	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	10 905	10 855	
20 194	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	21 163	20 781	
1 559	Cominar Real Estate Investment Trust	4.000	02-Nov-2020	1 578	1 564	
5 109	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	5 194	5 128	
11 895	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	11 870	11 832	
12 811	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	13 186	12 947	
5 285	Crosslinx Transit Solutions GP	4.555	30-Jun-2051	5 091	5 296	
2 370	CU Inc.	11.770	30-Nov-2020	3 527	2 976	
4 315	CU Inc.	9.920	01-Apr-2022	6 292	5 540	
9 310	CU Inc.	6.215	06-Mar-2024	11 575	11 141	
2 170	CU Inc.	5.563	26-May-2028	2 641	2 619	
1 307	CU Inc.	5.896	20-Nov-2034	1 693	1 727	
2 085	CU Inc.	5.032	20-Nov-2036	2 423	2 553	
203	CU Inc.	5.556	30-Oct-2037	255	264	
2 335	CU Inc.	5.580	26-May-2038	3 081	3 050	
4 865	CU Inc.	4.947	18-Nov-2050	5 567	6 155	
5 872	CU Inc.	4.558	07-Nov-2053	6 456	7 028	
13 110	CU Inc.	4.094	19-Oct-2054	13 110	14 392	
5 995	CU Inc.	4.211	29-Oct-2055	5 995	6 811	
4 502	Dufferin Wind Power Inc.	4.317	30-Nov-2033	4 502	4 545	
5 661	Eagle Credit Card Trust	2.849	17-Oct-2018	5 730	5 706	
14 945	EllisDon Infrastructure JBH Inc.	2.018	28-Nov-2019	15 116	14 942	
7 701	Enbridge Gas Distribution Inc.	4.040	23-Nov-2020	8 288	8 092	
2 018	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	2 245	2 203	
8 535	Enbridge Gas Distribution Inc.	3.310	11-Sep-2025	8 532	8 861	
5 795	Enbridge Gas Distribution Inc.	2.500	05-Aug-2026	5 788	5 663	
1 940	Enbridge Gas Distribution Inc.	6.100	19-May-2028	2 456	2 432	
7 287	Enbridge Gas Distribution Inc.	6.900	15-Nov-2032	9 929	10 266	
1 095	Enbridge Gas Distribution Inc.	6.160	16-Dec-2033	1 476	1 466	
2 133	Enbridge Gas Distribution Inc.	4.500	23-Nov-2043	2 532	2 488	
5 795	Enbridge Gas Distribution Inc.	4.000	22-Aug-2044	5 960	6 300	
13 957	Enbridge Inc.	4.770	02-Sep-2019	14 979	14 507	
15 123	Enbridge Inc.	4.260	01-Feb-2021	15 805	15 815	
990	Enbridge Inc.	7.220	24-Jul-2030	1 205	1 265	
800	Enbridge Inc.	5.570	14-Nov-2035	945	902	
273	Enbridge Inc.	5.120	28-Sep-2040	278	297	
660	Enbridge Inc.	4.560	28-Mar-2064	557	641	
10 135	Enbridge Income Fund	4.100	22-Feb-2019	10 895	10 341	
4 192	Enbridge Pipelines Inc.	2.930	30-Nov-2022	4 283	4 255	
83	Enbridge Pipelines Inc.	3.790	17-Aug-2023	89	87	
1 445	Enbridge Pipelines Inc.	6.350	17-Nov-2023	1 732	1 695	
22 000	Enbridge Pipelines Inc.	8.200	15-Feb-2024	30 969	28 154	
39 894	Enbridge Pipelines Inc.	3.450	29-Sep-2025	40 602	41 094	
4 435	Enbridge Pipelines Inc.	6.050	12-Feb-2029	5 733	5 400	
1 200	Enbridge Pipelines Inc.	6.500	11-Jun-2029	1 619	1 521	
11 110	Enbridge Pipelines Inc.	5.350	10-Nov-2039	13 498	13 377	
5 280	Enbridge Pipelines Inc.	5.330	06-Apr-2040	6 190	6 351	

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## PHILLIPS, HAGER &amp; NORTH TOTAL RETURN BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
13 415	Enbridge Pipelines Inc.	4.550	29-Sep-2045	\$ 13 875	\$ 14 688	
16 401	Enbridge Southern Lights LP	4.014	30-Jun-2040	16 437	16 251	
16 220	Enmax Corp.	6.150	19-Jun-2018	18 241	16 526	
6 470	Enwave Energy Corp.	3.943	07-Dec-2037	6 470	6 495	
15 840	Fortis Inc.	2.850	12-Dec-2023	15 859	15 828	
2 348	Fortis Inc.	6.510	04-Jul-2039	3 132	3 260	
1 060	FortisAlberta Inc.	4.540	18-Oct-2041	1 126	1 240	
1 350	FortisAlberta Inc.	4.110	29-Sep-2044	1 502	1 494	
3 209	FortisAlberta Inc.	4.800	27-Oct-2050	3 805	3 972	
1 422	FortisBC Energy Inc.	6.000	02-Oct-2037	1 855	1 930	
7 579	FortisBC Energy Inc.	5.800	13-May-2038	9 946	10 103	
3 945	FortisBC Energy Inc.	5.200	06-Dec-2040	4 686	4 985	
2 481	FortisBC Inc.	5.900	04-Jul-2047	3 264	3 540	
5 379	FortisBC Inc.	5.000	24-Nov-2050	6 621	6 779	
5 205	Gaz Metro Inc.	4.930	18-Jun-2019	5 852	5 419	
38 540	Genesis Trust II	1.675	17-Sep-2018	38 540	38 519	
62 480	Genesis Trust II	2.433	15-May-2019	63 195	62 804	
6 118	Grand Renewable Solar LP	3.926	31-Jan-2035	6 118	6 045	
1 375	Great-West Lifeco Finance Delaware LP II	7.127	26-Jun-2068	1 497	1 409	
13 036	Greater Toronto Airports Authority	6.450	03-Dec-2027	17 439	17 221	
2 858	Greater Toronto Airports Authority	6.450	30-Jul-2029	3 527	3 482	
1 565	Greater Toronto Airports Authority	7.050	12-Jun-2030	2 288	2 237	
12 367	Greater Toronto Airports Authority	7.100	04-Jun-2031	17 962	18 014	
8 786	Greater Toronto Airports Authority	6.980	15-Oct-2032	12 668	12 966	
1 797	Greater Toronto Airports Authority	6.470	02-Feb-2034	2 598	2 583	
4 700	Greater Toronto Airports Authority	5.630	07-Jun-2040	6 306	6 576	
4 785	Greater Toronto Airports Authority	5.300	25-Feb-2041	6 364	6 501	
6 010	Greater Toronto Airports Authority	4.530	02-Dec-2041	7 298	7 442	
28 604	H2O Power LP	3.310	30-Nov-2029	28 604	28 384	
3 428	Hollis Receivables Term Trust II	2.434	26-Jun-2019	3 471	3 446	
955	Hospital Infrastructure Partners NOH Partnership	5.439	31-Jan-2045	1 120	1 121	
8 330	Hydro One Inc.	1.620	30-Apr-2020	8 221	8 237	
8 925	Hydro One Inc.	6.930	01-Jun-2032	12 818	12 553	
3 765	Hydro One Inc.	6.350	31-Jan-2034	4 997	5 120	
2 937	Hydro One Inc.	6.030	03-Mar-2039	4 058	4 023	
2 510	Hydro One Inc.	6.590	22-Apr-2043	3 614	3 783	
2 833	Hydro One Inc.	5.000	19-Oct-2046	3 561	3 575	
2 820	Hydro One Inc.	3.790	31-Jul-2062	2 937	2 911	
10 588	Hydro Ottawa Holdings Inc.	2.614	03-Feb-2025	10 588	10 455	
2 395	Hydro Ottawa Holdings Inc.	3.639	02-Feb-2045	2 316	2 410	
1 100	Inter Pipeline Corridor Inc.	4.897	03-Feb-2020	1 219	1 154	
11 122	Kingston Solar LP	3.571	31-Jul-2035	11 122	10 829	
4 240	Lower Mattagami Energy LP	2.307	21-Oct-2026	4 240	4 082	
3 425	Lower Mattagami Energy LP	5.139	18-May-2041	4 496	4 329	
3 390	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	3 389	3 547	
234	Maritimes & Northeast Pipeline LP	4.340	30-Nov-2019	234	238	
12 323	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	12 324	12 539	
6 855	Mountain View Partners GP	3.974	31-Mar-2051	6 855	6 892	
7 904	North Battleford Power LP	4.958	31-Dec-2032	8 248	8 731	
13 132	North West Redwater Partnership	2.100	23-Feb-2022	13 039	12 874	
8 690	North West Redwater Partnership	2.800	01-Jun-2027	8 667	8 414	
15 080	North West Redwater Partnership	4.250	01-Jun-2029	15 098	16 363	
12 965	North West Redwater Partnership	4.150	01-Jun-2033	12 948	13 965	
5 825	North West Redwater Partnership	3.650	01-Jun-2035	5 821	5 889	
19 963	North West Redwater Partnership	4.750	01-Jun-2037	20 487	22 883	
8 230	North West Redwater Partnership	4.350	10-Jan-2039	8 291	8 931	
3 420	North West Redwater Partnership	4.050	22-Jul-2044	3 515	3 573	
3 917	Northland Power Solar Finance One LP	4.397	30-Jun-2032	3 918	4 105	

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## PHILLIPS, HAGER &amp; NORTH TOTAL RETURN BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
2 375	Nova Gas Transmission Ltd.	8.875	27-May-2026	\$ 3 388	\$ 3 321	
3 030	Nova Scotia Power Inc.	9.750	02-Aug-2019	4 014	3 358	
9 812	Nova Scotia Power Inc.	8.850	19-May-2025	14 356	13 419	
3 645	Nova Scotia Power Inc.	5.950	27-Jul-2039	4 761	4 925	
2 010	OMERS Realty Corp.	2.473	12-Nov-2019	2 010	2 023	
17 955	Ontario Power Generation Inc.	3.315	04-Oct-2027	17 993	18 259	
1 036	Pembina Pipeline Corp.	3.770	24-Oct-2022	1 071	1 071	
24 667	Pembina Pipeline Corp.	3.540	03-Feb-2025	24 713	24 862	
1 828	Plenary Health Hamilton LP	5.796	31-May-2043	2 195	2 290	
8 637	Plenary Health North Bay Finco Inc.	5.182	13-Mar-2040	9 344	9 402	
7 120	PSS Generating Station LP	4.795	24-Oct-2067	7 120	7 824	
3 680	Ridley Grain Ltd.	5.227	01-Aug-2024	3 680	3 956	
16 205	Royal Bank of Canada*	2.820	12-Jul-2018	16 624	16 302	
2 789	Royal Bank of Canada*	2.770	11-Dec-2018	2 866	2 813	
86 150	Royal Bank of Canada*	1.400	26-Apr-2019	86 176	85 608	
14 465	Royal Bank of Canada*	1.590	23-Mar-2020	14 572	14 297	
3 325	Royal Bank of Canada*	2.860	04-Mar-2021	3 381	3 375	
8 673	Royal Bank of Canada*	1.650	15-Jul-2021	8 626	8 455	
7 113	SEC LP and Arci Ltd.	5.188	29-Aug-2033	7 423	7 485	
7 435	SGTP Highway Bypass LP	4.105	31-Jan-2045	7 435	7 817	
4 150	Sun Life Financial Inc.	2.770	13-May-2024	4 198	4 170	
6 695	TELUS Corp.	4.850	05-Apr-2044	6 709	7 135	
28 605	Teranet Holdings LP	4.807	16-Dec-2020	31 083	29 937	
15 640	TMX Group Ltd.	3.253	03-Oct-2018	16 043	15 810	
4 730	Toromont Industries Ltd.	3.710	30-Sep-2025	4 730	4 842	
2 450	TransCanada PipeLines Ltd.	8.200	15-Aug-2031	3 718	3 529	
8 407	TransCanada PipeLines Ltd.	4.550	15-Nov-2041	8 741	9 292	
9 493	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	9 518	10 202	
16 390	TransCanada PipeLines Ltd.	4.330	16-Sep-2047	16 403	17 547	
18 760	TransEd Partners GP	3.951	30-Sep-2050	17 351	18 442	
6 257	Trillium Windpower LP	5.803	15-Feb-2033	7 298	7 123	
1 000	Union Gas Ltd.	5.350	27-Apr-2018	1 162	1 012	
6 405	Union Gas Ltd.	8.750	03-Aug-2018	7 959	6 659	
3 940	Union Gas Ltd.	8.650	10-Nov-2025	5 548	5 473	
6 410	Union Gas Ltd.	2.810	01-Jun-2026	6 410	6 412	
5 065	Union Gas Ltd.	5.460	11-Sep-2036	6 446	6 471	
8 315	Union Gas Ltd.	4.880	21-Jun-2041	9 867	10 104	
6 062	Union Gas Ltd.	4.200	02-Jun-2044	6 632	6 789	
405	Union Gas Ltd.	3.800	01-Jun-2046	425	426	
2 135	Vancouver Airport Authority	3.857	10-Nov-2045	2 383	2 417	
1 530	Vancouver Fraser Port Authority	4.630	20-Apr-2020	1 703	1 595	
3 700	Vancouver International Airport Authority	7.425	07-Dec-2026	5 157	5 070	
3 059	Westcoast Energy Inc.	5.600	16-Jan-2019	3 376	3 167	
2 767	Westcoast Energy Inc.	9.900	10-Jan-2020	4 019	3 152	
1 473	Westcoast Energy Inc.	4.570	02-Jul-2020	1 564	1 550	
1 000	Westcoast Energy Inc.	3.883	28-Oct-2021	1 020	1 048	
2 975	Westcoast Energy Inc.	6.750	15-Dec-2027	3 831	3 716	
7 200	Westcoast Energy Inc.	4.791	28-Oct-2041	7 907	7 976	
2 855	Winnipeg Airport Authority Inc.	4.569	20-Nov-2019	3 169	2 974	
1 740	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	1 737	1 774	
4 695	Winnipeg Airport Authority Inc.	5.205	28-Sep-2040	5 615	5 605	
6 717	Winnipeg Airport Authority Inc.	6.102	20-Nov-2040	7 541	8 667	
3 945	Winnipeg Airport Authority Inc.	3.659	30-Sep-2047	3 945	4 188	
				1 890 462	1 892 046	22.4

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## PHILLIPS, HAGER &amp; NORTH TOTAL RETURN BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>FEDERAL</b>						
84 451	Canada Housing Trust No. 1	1.250	15-Dec-2020	\$ 84 235	\$ 82 865	
190 952	Canada Housing Trust No. 1	1.250	15-Jun-2021	190 813	186 289	
18 283	Canada Housing Trust No. 1	3.800	15-Jun-2021	19 518	19 382	
44 086	Canada Housing Trust No. 1	1.150	15-Dec-2021	43 221	42 596	
87 545	Canada Housing Trust No. 1	1.500	15-Dec-2021	87 235	85 741	
53 975	Canada Housing Trust No. 1	2.650	15-Mar-2022	57 546	55 225	
334 764	Canada Housing Trust No. 1	1.750	15-Jun-2022	335 555	329 842	
315 182	Canada Housing Trust No. 1	2.400	15-Dec-2022	319 778	319 009	
21 003	Canada Housing Trust No. 1	2.250	15-Dec-2025	21 089	20 859	
7 999	Canada Housing Trust No. 1	1.900	15-Sep-2026	7 772	7 701	
122 034	Canada Housing Trust No. 1	2.350	15-Jun-2027	122 120	121 598	
30 503	Canada Housing Trust No. 1	2.350	15-Mar-2028	30 476	30 321	
1 317	CBC Monetization Trust	4.688	15-May-2027	1 317	1 447	
1 095	Government of Canada	1.750	01-Sep-2019	1 101	1 097	
81 696	Government of Canada	1.250	01-Nov-2019	81 421	81 060	
138 100	Government of Canada	1.250	01-Feb-2020	136 903	136 795	
140 965	Government of Canada	1.500	01-Mar-2020	143 774	140 334	
123 579	Government of Canada	3.500	01-Jun-2020	135 446	128 748	
440 198	Government of Canada	0.750	01-Sep-2020	439 168	429 070	
151 591	Government of Canada	0.750	01-Mar-2021	151 480	146 860	
158 643	Government of Canada	3.250	01-Jun-2021	173 439	166 311	
27 286	Government of Canada	0.750	01-Sep-2021	27 073	26 288	
10 705	Government of Canada	2.750	01-Jun-2022	11 177	11 122	
41 595	Government of Canada	1.000	01-Sep-2022	40 325	40 002	
203 316	Government of Canada	1.750	01-Mar-2023	203 452	201 890	
150 279	Government of Canada	1.500	01-Jun-2023	148 720	147 249	
58 390	Government of Canada	2.500	01-Jun-2024	60 933	60 342	
33 925	Government of Canada	2.250	01-Jun-2025	34 629	34 527	
91 148	Government of Canada	1.500	01-Jun-2026	87 942	87 473	
25 356	Government of Canada	1.000	01-Jun-2027	23 231	23 108	
72 538	Government of Canada	2.000	01-Jun-2028	72 710	72 004	
5 470	Government of Canada	5.750	01-Jun-2033	8 167	8 029	
1 658	Government of Canada	3.500	01-Dec-2045	2 107	2 073	
13 869	Government of Canada	1.250	01-Dec-2047	16 082	16 463	
132 076	Government of Canada	2.750	01-Dec-2048	147 838	146 290	
14 216	Government of Canada	0.500	01-Dec-2050	13 796	14 027	
27 732	Government of Canada	2.000	01-Dec-2051	26 460	25 969	
				3 508 049	3 450 006	<b>40.9</b>
<b>PROVINCIAL/MUNICIPAL</b>						
5 000	City of Montreal	3.500	01-Sep-2023	5 305	5 268	
1 330	City of Montreal	2.750	01-Sep-2026	1 328	1 327	
6 170	City of Ottawa	4.600	14-Jul-2042	7 376	7 662	
8 528	City of Ottawa	3.100	27-Jul-2048	8 164	8 398	
5 000	City of Vancouver	3.750	24-Oct-2023	5 552	5 340	
7 062	First Nations Finance Authority	3.050	01-Jun-2028	7 049	7 092	
7 023	Hospital for Sick Children	5.217	16-Dec-2049	7 265	9 454	
12 285	Hospital for Sick Children	3.416	07-Dec-2057	12 285	12 369	
3 980	McGill University	6.150	22-Sep-2042	5 523	5 822	
2 080	Municipal Finance Authority of British Columbia	4.950	01-Dec-2027	2 495	2 477	
36 027	Ontario Electricity Financial Corp.	8.500	26-May-2025	55 102	50 093	
7 007	Ontario Electricity Financial Corp.	9.000	26-May-2025	10 759	9 981	
40 915	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	60 023	57 927	
770	Ontario School Boards Financing Corp.	6.550	19-Oct-2026	904	889	
14 525	Ontario School Boards Financing Corp.	5.900	11-Oct-2027	17 135	16 544	
4 706	Ontrea Inc.	4.619	09-Apr-2018	4 843	4 745	
29 085	OPB Finance Trust	2.980	25-Jan-2027	29 108	29 410	
93 131	Province of Alberta	2.350	01-Jun-2025	94 597	91 986	

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## PHILLIPS, HAGER &amp; NORTH TOTAL RETURN BOND FUND

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Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>PROVINCIAL/MUNICIPAL (cont.)</b>						
7 789	Province of Alberta	3.900	01-Dec-2033	\$ 8 505	\$ 8 767	
19 936	Province of Alberta	3.450	01-Dec-2043	22 153	21 520	
65 480	Province of Alberta	3.300	01-Dec-2046	68 598	69 149	
8 000	Province of Manitoba	2.550	02-Jun-2026	7 973	7 956	
5 157	Province of Manitoba	4.050	05-Sep-2045	5 634	6 110	
78 366	Province of Manitoba	2.850	05-Sep-2046	71 727	75 342	
11 984	Province of New Brunswick	3.650	03-Jun-2024	13 257	12 806	
14 500	Province of New Brunswick	4.800	26-Sep-2039	18 915	18 428	
5 474	Province of New Brunswick	4.800	03-Jun-2041	6 605	7 021	
13 076	Province of New Brunswick	3.550	03-Jun-2043	13 365	14 092	
35 663	Province of New Brunswick	3.800	14-Aug-2045	37 990	40 196	
25 867	Province of Newfoundland and Labrador	3.300	17-Oct-2046	24 212	26 206	
33 123	Province of Ontario	2.850	02-Jun-2023	35 172	34 042	
53 877	Province of Ontario	8.100	08-Sep-2023	76 120	70 181	
6 824	Province of Ontario	7.500	07-Feb-2024	9 498	8 773	
201 658	Province of Ontario	3.500	02-Jun-2024	221 665	214 650	
12 022	Province of Ontario	2.600	02-Jun-2025	12 391	12 100	
56 110	Province of Ontario	8.500	02-Dec-2025	85 326	79 516	
85 447	Province of Ontario	2.400	02-Jun-2026	84 646	84 394	
163 567	Province of Ontario	6.200	02-Jun-2031	230 869	225 856	
99 117	Province of Ontario	5.600	02-Jun-2035	136 752	136 256	
32 890	Province of Ontario	4.700	02-Jun-2037	41 291	41 685	
154 224	Province of Ontario	4.600	02-Jun-2039	200 060	195 256	
5 962	Province of Ontario	4.650	02-Jun-2041	8 037	7 684	
198 037	Province of Ontario	3.500	02-Jun-2043	210 353	217 583	
102 754	Province of Ontario	2.900	02-Dec-2046	99 308	101 809	
29 447	Province of Ontario	2.800	02-Jun-2048	28 412	28 659	
35 385	Province of Ontario	2.900	02-Jun-2049	35 346	35 202	
2 475	Province of Quebec	4.250	01-Dec-2021	2 772	2 672	
42 542	Province of Quebec	9.375	16-Jan-2023	63 952	56 766	
96 239	Province of Quebec	8.500	01-Apr-2026	147 407	138 002	
785	Province of Quebec	2.500	01-Sep-2026	785	782	
10 278	Province of Quebec	2.750	01-Sep-2027	10 531	10 416	
54 174	Province of Quebec	6.000	01-Oct-2029	72 019	71 932	
5 800	Province of Quebec	5.750	01-Dec-2036	8 100	8 234	
7 645	Province of Quebec	5.000	01-Dec-2041	9 910	10 362	
5 405	Province of Quebec	3.500	01-Dec-2045	5 846	5 986	
30 209	Province of Quebec	3.500	01-Dec-2048	32 947	33 794	
24 982	Province of Saskatchewan	2.550	02-Jun-2026	25 099	24 898	
3 592	Province of Saskatchewan	5.750	05-Mar-2029	5 020	4 613	
3 500	Province of Saskatchewan	6.400	05-Sep-2031	5 331	4 899	
16 993	Province of Saskatchewan	3.900	02-Jun-2045	20 586	19 827	
23 292	Province of Saskatchewan	2.750	02-Dec-2046	22 639	22 159	
14 968	South Coast British Columbia Transportation Authority	3.800	02-Nov-2020	15 448	15 653	
5 130	South Coast British Columbia Transportation Authority	4.450	09-Jun-2044	5 979	6 276	
11 036	South Coast British Columbia Transportation Authority	3.150	16-Nov-2048	11 019	10 980	
5 968	University of British Columbia	6.650	01-Dec-2031	7 989	8 209	
3 600	University of Toronto	4.937	16-Nov-2045	4 762	4 603	
				2 627 134	2 589 086	30.7
<b>TOTAL CANADIAN BONDS</b>				8 025 645	7 931 138	94.0

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



## PHILLIPS, HAGER &amp; NORTH TOTAL RETURN BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>UNITED STATES BONDS</b>						
14 455	Anheuser-Busch InBev Finance Inc. CAD	2.600	15-May-2024	\$ 14 463	\$ 14 145	
22 951	AT&T Inc. CAD	3.825	25-Nov-2020	23 994	23 749	
3 611	Bank of America Corp. CAD	3.228	22-Jun-2022	3 708	3 689	
22 185	Bank of America Corp. CAD	2.604	15-Mar-2023	22 185	22 034	
6 290	Bank of America Corp. CAD	3.407	20-Sep-2025	6 290	6 401	
14 115	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	14 013	13 938	
7 745	Molson Coors International LP CAD	2.250	18-Sep-2018	7 732	7 762	
24 452	Molson Coors International LP CAD	2.750	18-Sep-2020	24 306	24 565	
10 987	Molson Coors International LP CAD	3.440	15-Jul-2026	11 030	10 814	
28 415	United Parcel Service Inc. CAD	2.125	21-May-2024	28 261	27 529	
32 787	United States Treasury	1.250	30-Jun-2019	40 571	40 854	
29 995	Wells Fargo & Co. CAD	2.222	15-Mar-2021	29 995	29 728	
21 790	Wells Fargo & Co. CAD	2.509	27-Oct-2023	21 781	21 286	
<b>TOTAL UNITED STATES BONDS</b>				248 329	246 494	2.9
<b>TOTAL BONDS</b>				8 273 974	8 177 632	96.9
<b>MORTGAGE-BACKED SECURITIES</b>						
1 008	Equitable Bank	4.350	01-Jan-2018	1 042	1 008	
1 917	Peoples Trust	4.200	01-Oct-2019	1 915	1 981	
<b>TOTAL MORTGAGE-BACKED SECURITIES</b>				2 957	2 989	—
<b>MORTGAGES</b>						
<b>CMHC Insured</b>						
1 913	4.930% Nov 01, 2019			1 951	1 986	
1 834	4.930% Dec 01, 2019			1 847	1 913	
1 706	4.850% Jan 01, 2020			1 721	1 771	
1 579	4.260% Nov 01, 2022			1 579	1 680	
6 656	3.160% Sep 05, 2024			6 670	6 564	
<b>TOTAL MORTGAGES</b>				13 768	13 914	0.2
<b>SHORT-TERM INVESTMENTS†</b>				178 590	178 590	2.1
<b>TOTAL INVESTMENTS</b>				\$ 8 470 936	8 374 837	99.2
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					70 043	0.8
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					\$ 8 444 880	100.0

\* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.12% to 1.60% and mature between January 2, 2018 and June 6, 2018.



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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 8 374 837	\$ 7 920 393
Cash	10 814	9 422
Due from investment dealers	—	77
Subscriptions receivable	9 619	6 931
Futures contracts margin receivable	14 725	10 163
Dividends receivable, interest accrued and other assets	37 841	41 633
<b>TOTAL ASSETS</b>	<b>8 447 836</b>	<b>7 988 619</b>
<b>LIABILITIES</b>		
Redemptions payable	1 920	4 839
Distributions payable	(1)	—
Accounts payable and accrued expenses	1 037	998
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>2 956</b>	<b>5 837</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 8 444 880</b>	<b>\$ 7 982 782</b>
Investments at cost	\$ 8 470 936	\$ 8 032 076
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 146 640</b>	<b>\$ 169 245</b>
<b>ADVISOR SERIES</b>	<b>\$ 108 975</b>	<b>\$ 111 224</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES D</b>	<b>\$ 575 829</b>	<b>\$ 583 467</b>
<b>SERIES F</b>	<b>\$ 921 153</b>	<b>\$ 801 893</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES O</b>	<b>\$ 6 692 283</b>	<b>\$ 6 316 953</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 11.30</b>	<b>\$ 11.34</b>
<b>ADVISOR SERIES</b>	<b>\$ 11.31</b>	<b>\$ 11.35</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES D</b>	<b>\$ 11.31</b>	<b>\$ 11.34</b>
<b>SERIES F</b>	<b>\$ 11.32</b>	<b>\$ 11.36</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES O</b>	<b>\$ 11.25</b>	<b>\$ 11.29</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 243 508	\$ 252 192
Net gain (loss) from futures contracts	4 817	(4 029)
Other income received from underlying funds	1 328	10 345
Capital gains received from underlying funds	42	594
Net realized gain (loss) on investments	(46 552)	79 538
Net gain (loss) on foreign currencies and other net assets	120	879
Change in unrealized gain (loss) on investments	15 584	(122 353)
<b>TOTAL INCOME (LOSS)</b>	<b>218 847</b>	<b>217 166</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	8 929	8 573
Administration fees	2 104	2 022
Independent Review Committee costs	3	2
GST/HST	1 112	1 060
<b>TOTAL EXPENSES</b>	<b>12 148</b>	<b>11 657</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 206 699</b>	<b>\$ 205 509</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 2 711</b>	<b>\$ 2 131</b>
<b>ADVISOR SERIES</b>	<b>\$ 1 817</b>	<b>\$ 1 347</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ 944</b>
<b>SERIES D</b>	<b>\$ 12 413</b>	<b>\$ 11 708</b>
<b>SERIES F</b>	<b>\$ 18 075</b>	<b>\$ 5 914</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ 4 739</b>
<b>SERIES O</b>	<b>\$ 171 683</b>	<b>\$ 178 726</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.19</b>	<b>\$ 0.15</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.18</b>	<b>\$ 0.15</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ 0.48</b>
<b>SERIES D</b>	<b>\$ 0.24</b>	<b>\$ 0.24</b>
<b>SERIES F</b>	<b>\$ 0.23</b>	<b>\$ 0.11</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ 0.51</b>
<b>SERIES O</b>	<b>\$ 0.30</b>	<b>\$ 0.32</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 206 699	\$ 205 509
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	(325)	(535)
Non-cash distributions from underlying funds	(1 370)	(10 939)
Net realized loss (gain) on investments	46 552	(79 538)
Change in unrealized loss (gain) on investments	(15 584)	122 353
(Increase) decrease in accrued receivables	3 792	2 984
Increase (decrease) in accrued payables	39	72
(Increase) decrease in margin accounts	(4 562)	(10 140)
Cost of investments purchased	(12 613 209)	(16 257 653)
Proceeds from sale and maturity of investments	12 129 569	15 715 274
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(248 399)</b>	<b>(312 613)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	1 878 147	1 812 932
Cash paid on redemption of redeemable units	(1 573 982)	(1 415 848)
Distributions paid to holders of redeemable units	(54 374)	(75 350)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 249 791</b>	<b>\$ 321 734</b>
Net increase (decrease) in cash for the period	1 392	9 121
Cash (bank overdraft), beginning of period	9 422	301
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 10 814</b>	<b>\$ 9 422</b>
Interest received (paid)	\$ 246 975	\$ 254 641
Dividends received, net of withholding taxes	\$ —	\$ —

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 H		Series D	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 169 245</b>	<b>\$ 153 976</b>	<b>\$ 111 224</b>	<b>\$ 94 165</b>	<b>\$ —</b>	<b>\$ 23 200</b>	<b>\$ 583 467</b>	<b>\$ 543 855</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>2 711</b>	<b>2 131</b>	<b>1 817</b>	<b>1 347</b>	<b>—</b>	<b>944</b>	<b>12 413</b>	<b>11 708</b>
Early redemption fees	—	—	—	—	—	—	2	—
Proceeds from redeemable units issued	25 557	52 789	34 952	45 253	—	2 567	61 765	126 051
Reinvestments of distributions to holders of redeemable units	2 859	4 873	1 880	2 843	—	221	12 815	19 831
Redemption of redeemable units	(50 565)	(39 113)	(38 647)	(28 856)	—	(26 676)	(80 364)	(95 964)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(22 149)</b>	<b>18 549</b>	<b>(1 815)</b>	<b>19 240</b>	<b>—</b>	<b>(23 888)</b>	<b>(5 782)</b>	<b>49 918</b>
Distributions from net income	(3 167)	(3 332)	(2 251)	(2 162)	—	(256)	(14 269)	(14 879)
Distributions from net gains	—	(2 079)	—	(1 366)	—	—	—	(7 135)
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(3 167)</b>	<b>(5 411)</b>	<b>(2 251)</b>	<b>(3 528)</b>	<b>—</b>	<b>(256)</b>	<b>(14 269)</b>	<b>(22 014)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(22 605)</b>	<b>15 269</b>	<b>(2 249)</b>	<b>17 059</b>	<b>—</b>	<b>(23 200)</b>	<b>(7 638)</b>	<b>39 612</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 146 640</b>	<b>\$ 169 245</b>	<b>\$ 108 975</b>	<b>\$ 111 224</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 575 829</b>	<b>\$ 583 467</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series I		Series O		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 801 893</b>	<b>\$ 462 345</b>	<b>\$ —</b>	<b>\$ 82 908</b>	<b>\$ 6 316 953</b>	<b>\$ 6 103 380</b>	<b>\$ 7 982 782</b>	<b>\$ 7 463 829</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>18 075</b>	<b>5 914</b>	<b>—</b>	<b>4 739</b>	<b>171 683</b>	<b>178 726</b>	<b>206 699</b>	<b>205 509</b>
Early redemption fees	11	(4)	—	—	—	—	13	(4)
Proceeds from redeemable units issued	418 075	486 791	—	46 081	1 362 688	1 048 155	1 903 037	1 807 687
Reinvestments of distributions to holders of redeemable units	13 826	15 860	—	1 270	151 560	226 750	182 940	271 648
Redemption of redeemable units	(307 907)	(142 088)	—	(133 393)	(1 115 795)	(952 799)	(1 593 278)	(1 418 889)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>124 005</b>	<b>360 559</b>	<b>—</b>	<b>(86 042)</b>	<b>398 453</b>	<b>322 106</b>	<b>492 712</b>	<b>660 442</b>
Distributions from net income	(22 820)	(17 104)	—	(1 605)	(194 806)	(207 313)	(237 313)	(246 651)
Distributions from net gains	—	(9 821)	—	—	—	(79 946)	—	(100 347)
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(22 820)</b>	<b>(26 925)</b>	<b>—</b>	<b>(1 605)</b>	<b>(194 806)</b>	<b>(287 259)</b>	<b>(237 313)</b>	<b>(346 998)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>119 260</b>	<b>339 548</b>	<b>—</b>	<b>(82 908)</b>	<b>375 330</b>	<b>213 573</b>	<b>462 098</b>	<b>518 953</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 921 153</b>	<b>\$ 801 893</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 6 692 283</b>	<b>\$ 6 316 953</b>	<b>\$ 8 444 880</b>	<b>\$ 7 982 782</b>

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

December 31, 2017

### 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 5 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 2017	December 31 2016
AAA	45.3	32.2
AA	29.5	33.2
A	13.5	15.8
BBB	10.6	17.3
BB	0.8	0.5
B	—	0.6
CCC	—	0.2
Unrated*	0.3	0.2
Total	100.0	100.0

\* Mortgages, which represent 59.7% (December 31, 2016 – 46.1%) 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, 2017 and 2016, there were no mortgage payments in arrears for more than 90 days.

#### Concentration risk (%)

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

Investment mix	December 31 2017	December 31 2016
Federal Bonds	41.4	26.3
Provincial Bonds	29.6	34.2
Corporate Bonds	24.9	35.9
Municipal Bonds	1.1	0.6
Mortgages	0.2	0.1
Mortgage-Backed Bonds	—	0.1
Cash/Other	2.8	2.8
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:

	December 31 2017	December 31 2016
Term to maturity		
Less than 1 year	1.9	3.4
1 – 5 years	39.2	30.9
5 – 10 years	27.9	31.8
> 10 years	31.0	33.9
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 7.3% (December 31, 2016 – 7.5%). 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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	1 712	—	—	1 712
Fixed-income				
and debt securities	—	8 180 621	13 914	8 194 535
Short-term investments	—	178 590	—	178 590
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	1 712	8 359 211	13 914	8 374 837
% of total portfolio	—	99.8	0.2	100.0

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, 2017

During the periods ended December 31, 2017 and 2016, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2017	December 31 2016
Balance at beginning of period	8 042	—
Net purchases	6 696	4
Net sales	(436)	(395)
Net transfers in	—	8 721
Net transfers out	—	—
Realized gains (losses)	(6)	(5)
Unrealized gains (losses)	(382)	(283)
Balance at end of period	13 914	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. The Level 3 assets are mortgages which are valued by a third-party vendor using industry-accepted methodologies which include unobservable inputs. Mortgages are valued by discounting future cash flows using a discount rate equal to the risk-free rate plus an appropriate risk spread premium. The spread premium is derived by the vendor from their risk rating program and a monthly spread matrix. This quantitative rules-based approach reviews seven risk factors to assess the market risk, credit risk and liquidity premiums to arrive at a total credit score for each mortgage. Among the inputs are the borrowers' financial statements, rent roll and operating statements, the most recent property inspection report and the terms of the mortgage itself.

As at December 31, 2017, a 10% increase or decrease in the weighted average spread premium of 1.19% (December 31, 2016 – 1.07%), an unobservable input, would have increased or decreased the Fund's NAV respectively by approximately 0.0% (December 31, 2016 – 0.0%).

### Management fees and operating expenses (see note 8 in the generic notes)

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

	Management fees*	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 2017	December 31 2016
<b>Units held</b>		
Series A	55	54
Advisor Series	110	108
Series D	57	56
Series F	57	56
<b>Value of all units</b>	<b>3</b>	<b>3</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
High Yield Bond Fund	—	—	1.0	1.9
RBC High Yield Bond Fund	—	—	0.6	2.3

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	30 680
Non-capital losses	—

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

**PHILLIPS, HAGER & NORTH TOTAL RETURN BOND FUND**

December 31, 2017

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series A</b>		
Opening units	14 922	13 367
Issued number of units	2 242	4 473
Reinvested number of units	252	423
Redeemed number of units	(4 442)	(3 341)
Ending number of units	12 974	14 922
<b>Advisor Series</b>		
Opening units	9 796	8 167
Issued number of units	3 061	3 853
Reinvested number of units	166	247
Redeemed number of units	(3 392)	(2 471)
Ending number of units	9 631	9 796
<b>Series H</b>		
Opening units	–	2 009
Issued number of units	–	220
Reinvested number of units	–	19
Redeemed number of units	–	(2 248)
Ending number of units	–	–
<b>Series D</b>		
Opening units	51 440	47 207
Issued number of units	5 422	10 716
Reinvested number of units	1 131	1 719
Redeemed number of units	(7 064)	(8 202)
Ending number of units	50 929	51 440
<b>Series F</b>		
Opening units	70 615	40 085
Issued number of units	36 582	41 301
Reinvested number of units	1 219	1 377
Redeemed number of units	(27 041)	(12 148)
Ending number of units	81 375	70 615
<b>Series I</b>		
Opening units	–	7 176
Issued number of units	–	3 957
Reinvested number of units	–	108
Redeemed number of units	–	(11 241)
Ending number of units	–	–
<b>Series O</b>		
Opening units	559 740	532 024
Issued number of units	120 282	90 068
Reinvested number of units	13 449	19 721
Redeemed number of units	(98 484)	(82 073)
Ending number of units	594 987	559 740

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

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

	December 31 2017	December 31 2016
RBC Balanced Growth & Income Class	0.3	0.2
RBC Balanced Growth & Income Fund	2.4	1.6
RBC Conservative Growth & Income Fund	0.5	0.3
RBC Monthly Income Bond Fund	2.9	3.1
RBC Retirement 2020 Portfolio	–	–
RBC Retirement 2025 Portfolio	–	–
RBC Retirement 2030 Portfolio	–	–
RBC Retirement 2035 Portfolio	–	–
RBC Retirement 2040 Portfolio	–	–
RBC Retirement 2045 Portfolio	–	–
RBC Retirement 2050 Portfolio	–	–
RBC Retirement Income Solution	–	–
RBC Select Balanced Portfolio	2.4	9.0
RBC Select Choices Balanced Portfolio	0.5	0.5
RBC Select Choices Conservative Portfolio	0.3	0.3
RBC Select Choices Growth Portfolio	0.2	0.1
RBC Select Conservative Portfolio	28.3	24.1
RBC Select Growth Portfolio	1.0	1.8
RBC Select Very Conservative Portfolio	15.0	13.3
RBC Target 2020 Education Fund	0.3	0.5
RBC Target 2025 Education Fund	1.4	0.9
RBC Target 2030 Education Fund	0.4	–
Total	55.9	55.7

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

## PHILLIPS, HAGER &amp; NORTH INFLATION-LINKED BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>BONDS</b>						
<b>FEDERAL</b>						
10 938	Government of Canada	4.250	01-Dec-2021	\$ 6 547	\$ 12 652	
13 024	Government of Canada	4.000	01-Dec-2031	10 161	19 214	
3 719	Government of Canada	3.000	01-Dec-2036	2 784	5 360	
7 816	Government of Canada	2.000	01-Dec-2041	5 376	10 298	
6 700	Government of Canada	1.500	01-Dec-2044	4 368	8 244	
6 264	Government of Canada	1.250	01-Dec-2047	3 736	7 435	
11 684	Government of Canada	0.500	01-Dec-2050	5 841	11 531	
				38 813	74 734	80.0
<b>PROVINCIAL/MUNICIPAL</b>						
3 382	Province of Ontario	2.000	01-Dec-2036	1 825	3 799	
8 740	Province of Quebec	4.500	01-Dec-2021	5 262	10 065	
1 577	Province of Quebec	4.500	01-Dec-2026	1 235	2 052	
1 779	Province of Quebec	4.250	01-Dec-2031	1 319	2 484	
				9 641	18 400	19.7
<b>TOTAL BONDS</b>				48 454	93 134	99.7
<b>SHORT-TERM INVESTMENTS*</b>				500	500	0.5
<b>TOTAL INVESTMENTS</b>				\$ 48 954	93 634	100.2
<b>OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					(224)	(0.2)
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					\$ 93 410	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 1.22% and mature on January 2, 2018.

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 93 634	\$ 83 109
Cash	133	166
Due from investment dealers	23 212	–
Subscriptions receivable	26	93
Dividends receivable, interest accrued and other assets	178	155
<b>TOTAL ASSETS</b>	<b>117 183</b>	<b>83 523</b>
<b>LIABILITIES</b>		
Due to investment dealers	23 543	–
Redemptions payable	208	16
Accounts payable and accrued expenses	22	23
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>23 773</b>	<b>39</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 93 410</b>	<b>\$ 83 484</b>
Investments at cost	\$ 48 954	\$ 51 209
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 11 693</b>	<b>\$ 13 503</b>
<b>ADVISOR SERIES</b>	<b>\$ 1 640</b>	<b>\$ 2 043</b>
<b>SERIES D</b>	<b>\$ 12 403</b>	<b>\$ 15 645</b>
<b>SERIES F</b>	<b>\$ 8 934</b>	<b>\$ 8 423</b>
<b>SERIES O</b>	<b>\$ 58 740</b>	<b>\$ 43 870</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 8.94</b>	<b>\$ 11.27</b>
<b>ADVISOR SERIES</b>	<b>\$ 8.94</b>	<b>\$ 11.28</b>
<b>SERIES D</b>	<b>\$ 9.00</b>	<b>\$ 11.33</b>
<b>SERIES F</b>	<b>\$ 8.98</b>	<b>\$ 11.31</b>
<b>SERIES O</b>	<b>\$ 9.07</b>	<b>\$ 11.41</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 2 827	\$ 1 800
Net realized gain (loss) on investments	(13 957)	(3 711)
Change in unrealized gain (loss) on investments	12 780	4 536
<b>TOTAL INCOME (LOSS)</b>	<b>1 650</b>	<b>2 625</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	209	228
Administration fees	28	25
Independent Review Committee costs	3	2
GST/HST	22	24
<b>TOTAL EXPENSES</b>	<b>262</b>	<b>279</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 1 388</b>	<b>\$ 2 346</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 63</b>	<b>\$ 382</b>
<b>ADVISOR SERIES</b>	<b>\$ 9</b>	<b>\$ 46</b>
<b>SERIES D</b>	<b>\$ 129</b>	<b>\$ 416</b>
<b>SERIES F</b>	<b>\$ 129</b>	<b>\$ 224</b>
<b>SERIES O</b>	<b>\$ 1 058</b>	<b>\$ 1 278</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.05</b>	<b>\$ 0.30</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.05</b>	<b>\$ 0.27</b>
<b>SERIES D</b>	<b>\$ 0.10</b>	<b>\$ 0.30</b>
<b>SERIES F</b>	<b>\$ 0.15</b>	<b>\$ 0.27</b>
<b>SERIES O</b>	<b>\$ 0.23</b>	<b>\$ 0.35</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 1 388	\$ 2 346
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	(934)	(71)
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	13 957	3 711
Change in unrealized loss (gain) on investments	(12 780)	(4 536)
(Increase) decrease in accrued receivables	(23)	(29)
Increase (decrease) in accrued payables	(1)	(1)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(6 256 880)	(6 433 495)
Proceeds from sale and maturity of investments	6 246 443	6 426 073
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(8 830)</b>	<b>(6 002)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	27 302	20 231
Cash paid on redemption of redeemable units	(16 366)	(13 970)
Distributions paid to holders of redeemable units	(2 139)	(195)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 8 797</b>	<b>\$ 6 066</b>
Net increase (decrease) in cash for the period	(33)	64
Cash (bank overdraft), beginning of period	166	102
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 133</b>	<b>\$ 166</b>
Interest received (paid)	\$ 1 870	\$ 1 700
Dividends received, net of withholding taxes	\$ —	\$ —

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 13 503</b>	<b>\$ 14 992</b>	<b>\$ 2 043</b>	<b>\$ 1 927</b>	<b>\$ 15 645</b>	<b>\$ 14 665</b>	<b>\$ 8 423</b>	<b>\$ 8 174</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>63</b>	<b>382</b>	<b>9</b>	<b>46</b>	<b>129</b>	<b>416</b>	<b>129</b>	<b>224</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	747	913	691	373	1 869	3 580	2 618	3 063
Reinvestments of distributions to holders of redeemable units	2 577	169	357	23	2 812	234	1 189	62
Redemption of redeemable units	(2 518)	(2 775)	(1 059)	(302)	(5 134)	(3 005)	(1 261)	(2 941)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>806</b>	<b>(1 693)</b>	<b>(11)</b>	<b>94</b>	<b>(453)</b>	<b>809</b>	<b>2 546</b>	<b>184</b>
Distributions from net income	(327)	(178)	(49)	(24)	(356)	(245)	(265)	(159)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	(2 352)	—	(352)	—	(2 562)	—	(1 899)	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(2 679)</b>	<b>(178)</b>	<b>(401)</b>	<b>(24)</b>	<b>(2 918)</b>	<b>(245)</b>	<b>(2 164)</b>	<b>(159)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(1 810)</b>	<b>(1 489)</b>	<b>(403)</b>	<b>116</b>	<b>(3 242)</b>	<b>980</b>	<b>511</b>	<b>249</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 11 693</b>	<b>\$ 13 503</b>	<b>\$ 1 640</b>	<b>\$ 2 043</b>	<b>\$ 12 403</b>	<b>\$ 15 645</b>	<b>\$ 8 934</b>	<b>\$ 8 423</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 43 870</b>	<b>\$ 35 289</b>	<b>\$ 83 484</b>	<b>\$ 75 047</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>1 058</b>	<b>1 278</b>	<b>1 388</b>	<b>2 346</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	21 512	12 316	27 437	20 245
Reinvestments of distributions to holders of redeemable units	11 991	771	18 926	1 259
Redemption of redeemable units	(6 788)	(4 936)	(16 760)	(13 959)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>26 715</b>	<b>8 151</b>	<b>29 603</b>	<b>7 545</b>
Distributions from net income	(1 575)	(848)	(2 572)	(1 454)
Distributions from net gains	—	—	—	—
Distributions from capital	(11 328)	—	(18 493)	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(12 903)</b>	<b>(848)</b>	<b>(21 065)</b>	<b>(1 454)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>14 870</b>	<b>8 581</b>	<b>9 926</b>	<b>8 437</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 58 740</b>	<b>\$ 43 870</b>	<b>\$ 93 410</b>	<b>\$ 83 484</b>

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

December 31, 2017

**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 5 in the generic notes)****Credit risk (%)**

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

	December 31 2017	December 31 2016
Rating		
AAA	80.2	88.3
AA	19.8	4.6
A	–	6.4
BBB	–	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:

	December 31 2017	December 31 2016
Investment mix		
Federal Bonds	80.0	87.9
Provincial Bonds	19.7	10.9
Corporate Bonds	–	0.7
Cash/Other	0.3	0.5
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:

	December 31 2017	December 31 2016
Term to maturity		
Less than 1 year	–	–
1 – 5 years	24.4	11.9
5 – 10 years	2.2	16.4
> 10 years	73.4	71.7
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 15.0% (December 31, 2016 – 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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income				
and debt securities	–	93 134	–	93 134
Short-term investments	–	500	–	500
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	93 634	–	93 634
% of total portfolio	–	100.0	–	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	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.

**PHILLIPS, HAGER & NORTH INFLATION-LINKED BOND FUND**

December 31, 2017

**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 2017	December 31 2016
<b>Units held</b>		
Series A	70	55
Advisor Series	138	109
Series D	71	56
Series F	72	57
Series O	74	58
<b>Value of all units</b>	<b>4</b>	<b>4</b>

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	36 445
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)

	2017	2016
<b>Series A</b>		
Opening units	1 198	1 347
Issued number of units	67	78
Reinvested number of units	276	15
Redeemed number of units	(234)	(242)
Ending number of units	1 307	1 198

**Advisor Series**

Opening units	181	173
Issued number of units	63	32
Reinvested number of units	38	2
Redeemed number of units	(99)	(26)
Ending number of units	183	181

**Series D**

Opening units	1 381	1 312
Issued number of units	172	309
Reinvested number of units	298	20
Redeemed number of units	(472)	(260)
Ending number of units	1 379	1 381

**Series F**

Opening units	745	733
Issued number of units	246	267
Reinvested number of units	127	5
Redeemed number of units	(124)	(260)
Ending number of units	994	745

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

	2017	2016
<b>Series O</b>		
Opening units	3 846	3 139
Issued number of units	1 984	1 071
Reinvested number of units	1 276	66
Redeemed number of units	(629)	(430)
Ending number of units	6 477	3 846

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	3	–
Fair value of collateral received	3	–

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	—	100	—	—
RBC IS (paid)	—	(25)	—	—
Tax withheld	—	—	—	—
Fund revenue	—	75	—	—

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

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

	December 31 2017	December 31 2016
Phillips, Hager & North LifeTime 2015 Fund	2.8	4.0
Phillips, Hager & North LifeTime 2020 Fund	16.7	18.1
Phillips, Hager & North LifeTime 2025 Fund	9.3	7.4
Phillips, Hager & North LifeTime 2030 Fund	0.4	–
<b>Total</b>	<b>29.2</b>	<b>29.5</b>

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, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>BONDS</b>						
<b>CANADIAN BONDS</b>						
<b>CORPORATE</b>						
76 326	Atlantic Power LP	5.950	23-Jun-2036	\$ 55 606	\$ 65 408	
50 000	AutoCanada Inc.	5.625	25-May-2021	49 984	51 333	
79 778	Baytex Energy Corp. USD	6.750	17-Feb-2021	94 277	100 531	
46 500	Baytex Energy Corp. USD	5.125	01-Jun-2021	45 021	55 966	
166 950	Baytex Energy Corp.	6.625	19-Jul-2022	164 703	164 067	
65 500	Baytex Energy Corp. USD	5.625	01-Jun-2024	72 673	77 085	
10 000	Bombardier Inc. USD	7.500	01-Dec-2024	12 808	12 790	
13 000	Brookfield Residential Properties Inc. USD	6.125	01-Jul-2022	17 912	17 158	
17 150	Canexus Corp.	7.875	20-Sep-2023	17 150	18 672	
50 000	Capital Power Corp.	4.284	18-Sep-2024	50 000	50 844	
50 000	CES Energy Solutions Corp.	6.375	21-Oct-2024	50 000	50 958	
6 202	Cogeco Cable Inc. USD	4.875	01-May-2020	8 522	7 932	
7 000	Cominar Real Estate Investment Trust	3.620	21-Jun-2019	7 032	7 029	
10 000	Cominar Real Estate Investment Trust	4.230	04-Dec-2019	10 138	10 137	
26 100	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	26 914	26 859	
4 000	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	3 968	4 015	
26 750	Cominar Real Estate Investment Trust	4.164	01-Jun-2022	26 295	26 609	
45 900	Cominar Real Estate Investment Trust	4.247	23-May-2023	45 089	45 344	
46 000	Crew Energy Inc.	6.500	14-Mar-2024	45 939	45 085	
20 607	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	21 047	20 826	
20 000	Crombie Real Estate Investment Trust	2.775	10-Feb-2020	19 850	19 797	
60 500	Crombie Real Estate Investment Trust	3.962	01-Jun-2021	61 701	61 092	
33 500	Crombie Real Estate Investment Trust	4.066	21-Nov-2022	33 500	33 462	
249 000	Enbridge Inc.	5.375	27-Sep-2077	249 421	248 160	
50 000	Fairfax Financial Holdings Ltd.	4.250	06-Dec-2027	49 996	49 547	
31 500	Gibson Energy Inc.	5.375	15-Jul-2022	30 481	32 156	
40 000	Gibson Energy Inc.	5.250	15-Jul-2024	40 000	40 400	
49 972	Great Canadian Gaming Corp.	6.625	25-Jul-2022	51 406	51 871	
10 000	Island Timberlands LP USD	6.160	30-Aug-2025	12 122	14 670	
5 000	Mattamy Group Corp.	6.500	01-Oct-2025	5 000	5 223	
10 000	Mattamy Group Corp. USD	6.500	01-Oct-2025	12 328	13 356	
20 000	Morguard Corp.	4.013	18-Nov-2020	20 000	20 276	
63 000	Morguard Corp.	4.333	15-Sep-2022	63 000	63 734	
100 400	Newalta Corp.	7.750	14-Nov-2019	97 432	94 586	
3 278	Parkland Fuel Corp.	5.500	28-May-2021	3 397	3 401	
53 485	Parkland Fuel Corp.	6.000	21-Nov-2022	53 548	55 948	
26 000	Parkland Fuel Corp.	5.750	16-Sep-2024	26 000	26 596	
71 000	Parkland Fuel Corp.	5.625	09-May-2025	71 104	71 865	
13 500	Precision Drilling Corp. USD	6.500	15-Dec-2021	14 589	17 373	
28 000	Precision Drilling Corp. USD	7.750	15-Dec-2023	37 368	37 132	
4 000	Precision Drilling Corp. USD	7.125	15-Jan-2026	5 071	5 141	
214 053	Quebecor Media Inc.	6.625	15-Jan-2023	216 912	234 967	
32 000	Seven Generations Energy Ltd. USD	5.375	30-Sep-2025	39 619	40 727	
58 500	Sherritt International Corp.	7.875	11-Oct-2022	53 202	48 081	
24 094	Sobeys Inc.	3.520	08-Aug-2018	24 333	24 310	
84 065	Superior Plus LP	6.500	09-Dec-2021	84 825	88 846	
46 000	Superior Plus LP	5.250	27-Feb-2024	46 360	46 949	
81 967	Teine Energy Ltd. USD	6.875	30-Sep-2022	112 404	106 896	
152 075	Trilogy Energy Corp.	7.250	13-Dec-2019	150 502	154 451	
98 974	Western Energy Services Corp.	7.875	30-Jan-2019	96 011	99 539	
				2 606 560	2 669 200	<b>67.1</b>

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

## PHILLIPS, HAGER &amp; NORTH HIGH YIELD BOND FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>FEDERAL</b>						
50 000	Government of Canada	0.500	01-Nov-2018	\$ 49 598	\$ 49 608	
				49 598	49 608	1.2
<b>TOTAL CANADIAN BONDS</b>				2 656 158	2 718 808	68.3
<b>FRANCE BONDS</b>						
25 500	Numericable Group S.A. USD	6.000	15-May-2022	32 799	32 494	
38 675	Numericable Group S.A. USD	6.250	15-May-2024	49 445	48 918	
117 456	Numericable-SFR S.A. USD	7.375	01-May-2026	153 323	152 071	
<b>TOTAL FRANCE BONDS</b>				235 567	233 483	5.9
<b>UNITED STATES BONDS</b>						
15 230	Cablevision Systems Corp.	5.875	15-Sep-2022	19 147	18 905	
28 000	Dollar Tree Inc.	5.250	01-Mar-2020	38 621	35 827	
33 609	Icahn Enterprises LP	4.875	15-Mar-2019	44 778	42 266	
22 000	Icahn Enterprises LP	6.000	01-Aug-2020	29 148	28 457	
52 724	Icahn Enterprises LP	6.250	01-Feb-2022	69 322	67 931	
24 000	Icahn Enterprises LP	6.750	01-Feb-2024	31 675	31 111	
62 000	Icahn Enterprises LP	6.375	15-Dec-2025	78 715	78 137	
40 000	Iron Mountain Canada Operations ULC CAD	5.375	15-Sep-2023	40 106	42 083	
28 647	Level 3 Financing Inc.	6.125	15-Jan-2021	39 681	36 639	
12 970	Sotheby's	4.875	15-Dec-2025	16 469	16 120	
15 000	Sprint Corp.	7.250	15-Sep-2021	20 301	20 010	
15 950	Sprint Corp.	7.875	15-Sep-2023	21 549	21 402	
8 000	Sprint Corp.	7.125	15-Jun-2024	10 453	10 257	
62 000	T-Mobile USA Inc.	6.500	15-Jan-2026	86 106	85 240	
24 980	Targa Resources Partners LP	4.125	15-Nov-2019	33 426	31 675	
88 225	Trilogy International Partners LLC	8.875	01-May-2022	116 459	113 949	
<b>TOTAL UNITED STATES BONDS</b>				695 956	680 009	17.1
<b>TOTAL BONDS</b>				3 587 681	3 632 300	91.3
<b>SHORT-TERM INVESTMENTS*</b>						
8 500	Banner Trust			8 489	8 489	
3 750	Caisse Centrale Desjardins			3 738	3 738	
700	Central 1 Credit Union			698	698	
5 875	Clarity Trust			5 829	5 829	
5 000	Enbridge Gas Distribution Inc.			4 995	4 995	
660	Enbridge Pipelines Inc.			658	658	
22 535	Hydro One Inc.			22 470	22 470	
29 325	Inter Pipeline Corridor Inc.			29 269	29 269	
52 125	King Street Funding Trust			51 909	51 909	
19 250	Merit Trust - Senior Notes			19 177	19 177	
9 782	National Bank of Canada			9 762	9 762	
4 600	Nissan Canada Financial Services Inc.			4 599	4 599	
16 189	Prime Trust - Senior Notes			16 158	16 158	
12 700	TMX Group Ltd.			12 672	12 672	
15 253	Zeus Receivables Trust - Senior Notes			15 182	15 182	
<b>TOTAL SHORT-TERM INVESTMENTS</b>				205 605	205 605	5.2
<b>TOTAL INVESTMENTS</b>				3 793 286	3 837 905	96.5
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				—	20 950	0.5
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				—	(1 460)	—
<b>TOTAL PORTFOLIO</b>				\$ 3 793 286	3 857 395	97.0
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					119 188	3.0
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					\$ 3 976 583	100.0

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

December 31, 2017

**SCHEDULE A****Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought USD 120 000 Sold CAD 150 376 @ 0.7980	18-Jan-2018	\$ 423
Bought CAD 44 088 Sold USD 35 000 @ 1.2597	23-Jan-2018	109
Bought CAD 284 400 Sold USD 225 000 @ 1.2640	24-Jan-2018	1 682
Bought CAD 229 898 Sold USD 180 000 @ 1.2772	08-Feb-2018	3 770
Bought CAD 152 052 Sold USD 120 000 @ 1.2671	14-Feb-2018	1 310
Bought CAD 203 808 Sold USD 160 000 @ 1.2738	20-Feb-2018	2 833
Bought CAD 127 680 Sold USD 100 000 @ 1.2768	22-Feb-2018	2 073
Bought CAD 330 097 Sold USD 260 000 @ 1.2696	26-Feb-2018	3 535
Bought CAD 64 000 Sold USD 50 000 @ 1.2800	28-Feb-2018	1 201
Bought CAD 158 624 Sold USD 125 000 @ 1.2690	05-Mar-2018	1 636
Bought CAD 102 840 Sold USD 80 000 @ 1.2855	13-Mar-2018	2 378
		<u>\$ 20 950</u>

Contracts	Maturity Date	Unrealized Loss
Bought USD 57 000 Sold CAD 73 081 @ 0.7800	24-Jan-2018	\$ (1 460)
		<u>\$ (1 460)</u>
<b>TOTAL FOREIGN EXCHANGE</b>		<u>\$ 19 490</u>

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, and are grouped by issuer, earn interest at rates ranging from 1.17% to 1.58% and mature between January 2, 2018 and May 11, 2018.

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 3 837 905	\$ 4 075 648
Cash	71 456	25 476
Subscriptions receivable	1 703	3 491
Unrealized gain on foreign exchange contracts	20 950	—
Dividends receivable, interest accrued and other assets	52 570	54 251
<b>TOTAL ASSETS</b>	<b>3 984 584</b>	<b>4 158 866</b>
<b>LIABILITIES</b>		
Due to investment dealers	—	1 510
Redemptions payable	5 132	2 135
Unrealized loss on foreign exchange contracts	1 460	11 369
Accounts payable and accrued expenses	1 409	1 441
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>8 001</b>	<b>16 455</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 3 976 583</b>	<b>\$ 4 142 411</b>
Investments at cost	\$ 3 793 286	\$ 3 940 649
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 248 583</b>	<b>\$ 276 968</b>
<b>ADVISOR SERIES</b>	<b>\$ 60 375</b>	<b>\$ 86 418</b>
<b>SERIES D</b>	<b>\$ 681 016</b>	<b>\$ 666 947</b>
<b>SERIES F</b>	<b>\$ 611 556</b>	<b>\$ 584 954</b>
<b>SERIES O</b>	<b>\$ 2 375 053</b>	<b>\$ 2 527 124</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 11.99</b>	<b>\$ 12.16</b>
<b>ADVISOR SERIES</b>	<b>\$ 11.99</b>	<b>\$ 12.16</b>
<b>SERIES D</b>	<b>\$ 11.85</b>	<b>\$ 12.02</b>
<b>SERIES F</b>	<b>\$ 11.91</b>	<b>\$ 12.09</b>
<b>SERIES O</b>	<b>\$ 11.43</b>	<b>\$ 11.59</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 229 347	\$ 239 305
Net realized gain (loss) on investments	19 127	63 457
Net gain (loss) on foreign currencies and other net assets	88 943	19 185
Change in unrealized gain (loss) on investments	(59 521)	362 105
<b>TOTAL INCOME (LOSS)</b>	<b>277 896</b>	<b>684 052</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	13 823	12 950
Administration fees	1 569	1 456
Independent Review Committee costs	3	2
GST/HST	1 461	1 420
<b>TOTAL EXPENSES</b>	<b>16 856</b>	<b>15 828</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 261 040</b>	<b>\$ 668 224</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 13 952</b>	<b>\$ 43 489</b>
<b>ADVISOR SERIES</b>	<b>\$ 4 096</b>	<b>\$ 12 883</b>
<b>SERIES D</b>	<b>\$ 39 472</b>	<b>\$ 100 790</b>
<b>SERIES F</b>	<b>\$ 34 548</b>	<b>\$ 85 985</b>
<b>SERIES O</b>	<b>\$ 168 972</b>	<b>\$ 425 077</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.65</b>	<b>\$ 1.79</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.65</b>	<b>\$ 1.89</b>
<b>SERIES D</b>	<b>\$ 0.71</b>	<b>\$ 1.84</b>
<b>SERIES F</b>	<b>\$ 0.71</b>	<b>\$ 1.95</b>
<b>SERIES O</b>	<b>\$ 0.78</b>	<b>\$ 1.98</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 261 040	\$ 668 224
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(19 127)	(63 457)
Change in unrealized loss (gain) on investments	59 521	(362 105)
(Increase) decrease in accrued receivables	1 681	(13 288)
Increase (decrease) in accrued payables	(32)	193
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(13 197 872)	(10 906 242)
Proceeds from sale and maturity of investments	13 362 852	10 350 930
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>468 063</b>	<b>(325 745)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	698 989	1 155 912
Cash paid on redemption of redeemable units	(987 302)	(777 676)
Distributions paid to holders of redeemable units	(133 770)	(100 776)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (422 083)</b>	<b>\$ 277 460</b>
Net increase (decrease) in cash for the period	45 980	(48 285)
Cash (bank overdraft), beginning of period	25 476	73 761
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 71 456</b>	<b>\$ 25 476</b>
Interest received (paid)	\$ 231 028	\$ 226 017
Dividends received, net of withholding taxes	\$ —	\$ —

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 276 968</b>	<b>\$ 281 732</b>	<b>\$ 86 418</b>	<b>\$ 56 717</b>	<b>\$ 666 947</b>	<b>\$ 610 061</b>	<b>\$ 584 954</b>	<b>\$ 385 236</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>13 952</b>	<b>43 489</b>	<b>4 096</b>	<b>12 883</b>	<b>39 472</b>	<b>100 790</b>	<b>34 548</b>	<b>85 985</b>
Early redemption fees	—	2	—	—	—	—	—	—
Proceeds from redeemable units issued	21 858	42 410	5 853	40 172	55 655	86 707	138 237	225 052
Reinvestments of distributions to holders of redeemable units	13 692	11 939	3 017	3 031	44 506	33 649	24 988	18 713
Redemption of redeemable units	(60 916)	(87 836)	(34 291)	(22 085)	(76 784)	(127 268)	(127 952)	(98 643)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(25 366)</b>	<b>(33 485)</b>	<b>(25 421)</b>	<b>21 118</b>	<b>23 377</b>	<b>(6 912)</b>	<b>35 273</b>	<b>145 122</b>
Distributions from net income	(10 860)	(12 779)	(3 208)	(3 667)	(31 922)	(32 087)	(28 086)	(27 087)
Distributions from net gains	(6 111)	(1 989)	(1 510)	(633)	(16 858)	(4 905)	(15 133)	(4 302)
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(16 971)</b>	<b>(14 768)</b>	<b>(4 718)</b>	<b>(4 300)</b>	<b>(48 780)</b>	<b>(36 992)</b>	<b>(43 219)</b>	<b>(31 389)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(28 385)</b>	<b>(4 764)</b>	<b>(26 043)</b>	<b>29 701</b>	<b>14 069</b>	<b>56 886</b>	<b>26 602</b>	<b>199 718</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 248 583</b>	<b>\$ 276 968</b>	<b>\$ 60 375</b>	<b>\$ 86 418</b>	<b>\$ 681 016</b>	<b>\$ 666 947</b>	<b>\$ 611 556</b>	<b>\$ 584 954</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 2 527 124</b>	<b>\$ 1 864 376</b>	<b>\$ 4 142 411</b>	<b>\$ 3 198 122</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>168 972</b>	<b>425 077</b>	<b>261 040</b>	<b>668 224</b>
Early redemption fees	—	—	—	2
Proceeds from redeemable units issued	531 757	759 048	753 360	1 153 389
Reinvestments of distributions to holders of redeemable units	91 555	84 603	177 758	151 935
Redemption of redeemable units	(746 515)	(440 718)	(1 046 458)	(776 550)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(123 203)</b>	<b>402 933</b>	<b>(115 340)</b>	<b>528 776</b>
Distributions from net income	(139 395)	(146 617)	(213 471)	(222 237)
Distributions from net gains	(58 445)	(18 645)	(98 057)	(30 474)
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(197 840)</b>	<b>(165 262)</b>	<b>(311 528)</b>	<b>(252 711)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(152 071)</b>	<b>662 748</b>	<b>(165 828)</b>	<b>944 289</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 2 375 053</b>	<b>\$ 2 527 124</b>	<b>\$ 3 976 583</b>	<b>\$ 4 142 411</b>

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

December 31, 2017

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 5 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 2017	December 31 2016
AAA	1.4	4.9
A	0.5	1.8
BBB	9.1	17.7
BB	41.2	23.4
B	33.5	36.8
CCC	13.8	13.8
Unrated*	0.5	1.6
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 2017	December 31 2016
Corporate Bonds	90.1	91.3
Federal Bonds	1.2	4.8
Cash/Other	8.7	3.9
Total	100.0	100.0

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

#### 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 2017	December 31 2016
Less than 1 year	2.6	–
1 – 5 years	49.6	56.7
5 – 10 years	39.1	41.4
> 10 years	8.7	1.9
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 3.4% (December 31, 2016 – 3.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

#### Currency risk (% of NAV)

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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	3 632 300	–	3 632 300
Short-term investments	–	205 605	–	205 605
Derivatives – assets	–	20 950	–	20 950
Derivatives – liabilities	–	(1 460)	–	(1 460)
<b>Total financial instruments</b>	–	3 857 395	–	3 857 395
<b>% of total portfolio</b>	–	100.0	–	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2017

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

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

	Management fees	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 2017	December 31 2016
<b>Units held</b>		
Series A	62	58
Advisor Series	123	115
Series D	65	60
Series F	65	60
<b>Value of all units</b>	<b>4</b>	<b>4</b>

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

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

**Redeemable units (000s)**

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

For the periods ended December 31 (see note 2 in the generic notes)	2017	2016
<b>Series A</b>		
Opening units	22 771	25 678
Issued number of units	1 778	3 768
Reinvested number of units	1 133	1 027
Redeemed number of units	(4 958)	(7 702)
Ending number of units	20 724	22 771
<b>Advisor Series</b>		
Opening units	7 106	5 169
Issued number of units	476	3 562
Reinvested number of units	249	260
Redeemed number of units	(2 796)	(1 885)
Ending number of units	5 035	7 106

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

	2017	2016
<b>Series D</b>		
Opening units	55 478	56 237
Issued number of units	4 581	7 711
Reinvested number of units	3 726	2 923
Redeemed number of units	(6 312)	(11 393)
Ending number of units	57 473	55 478
<b>Series F</b>		
Opening units	48 394	35 317
Issued number of units	11 322	20 060
Reinvested number of units	2 081	1 615
Redeemed number of units	(10 464)	(8 598)
Ending number of units	51 333	48 394
<b>Series O</b>		
Opening units	217 973	178 093
Issued number of units	45 343	71 662
Reinvested number of units	7 938	7 620
Redeemed number of units	(63 524)	(39 402)
Ending number of units	207 730	217 973

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

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

	December 31 2017	December 31 2016
Phillips, Hager & North Core Plus Bond Fund	—	0.1
Phillips, Hager & North Enhanced Long Bond Pension Trust	0.1	0.1
Phillips, Hager & North Enhanced Total Return Bond Fund	—	0.5
Phillips, Hager & North LifeTime 2020 Fund	—	—
Phillips, Hager & North LifeTime 2025 Fund	—	—
Phillips, Hager & North LifeTime 2030 Fund	—	—
Phillips, Hager & North LifeTime 2035 Fund	0.1	—
Phillips, Hager & North LifeTime 2040 Fund	0.1	—
Phillips, Hager & North LifeTime 2045 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2050 Fund	—	—
Phillips, Hager & North Long Core Plus Bond Fund	0.1	0.1
Phillips, Hager & North Monthly Income Fund	2.4	2.4
Phillips, Hager & North PRiSM Balanced Fund	2.2	2.2
Phillips, Hager & North Total Return Bond Fund	—	1.9
RBC Select Choices Balanced Portfolio	0.3	0.3
RBC Select Choices Growth Portfolio	0.3	0.3
<b>Total</b>	<b>5.7</b>	<b>8.0</b>

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, 2017
Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets	
<b>CANADIAN BONDS</b>							
<b>FEDERAL</b>							
91 005	Government of Canada	0.500	01-Dec-2050	\$ 85 296	\$ 89 816		
<b>TOTAL CANADIAN BONDS</b>				<u>\$ 85 296</u>	89 816	<b>99.9</b>	
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					48	<b>0.1</b>	
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					<u>\$ 89 864</u>	<b>100.0</b>	

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 89 816	\$ 72 208
Cash	10	64
Subscriptions receivable	—	50
Dividends receivable, interest accrued and other assets	39	60
<b>TOTAL ASSETS</b>	<b>89 865</b>	<b>72 382</b>
<b>LIABILITIES</b>		
Due to investment dealers	—	1 746
Accounts payable and accrued expenses	1	1
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>1</b>	<b>1 747</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 89 864</b>	<b>\$ 70 635</b>
Investments at cost	\$ 85 296	\$ 71 312
<b>NAV SERIES 0</b>	<b>\$ 89 864</b>	<b>\$ 70 635</b>
<b>NAV PER UNIT SERIES 0</b>	<b>\$ 11.57</b>	<b>\$ 11.75</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 3 203	\$ 1 514
Net realized gain (loss) on investments	(4 187)	41
Change in unrealized gain (loss) on investments	3 624	1 239
<b>TOTAL INCOME (LOSS)</b>	<b>2 640</b>	<b>2 794</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Administration fees	14	12
Independent Review Committee costs	3	2
GST/HST	2	1
<b>TOTAL EXPENSES</b>	<b>19</b>	<b>15</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 2 621</b>	<b>\$ 2 779</b>
<b>INCREASE (DECREASE) IN NAV SERIES 0</b>	<b>\$ 2 621</b>	<b>\$ 2 779</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT SERIES 0</b>	<b>\$ 0.39</b>	<b>\$ 0.58</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 2 621	\$ 2 779
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	(2 566)	(909)
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	4 187	(41)
Change in unrealized loss (gain) on investments	(3 624)	(1 239)
(Increase) decrease in accrued receivables	21	(14)
Increase (decrease) in accrued payables	—	—
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(120 774)	(51 693)
Proceeds from sale and maturity of investments	103 423	31 894
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(16 712)</b>	<b>(19 223)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	22 481	26 940
Cash paid on redemption of redeemable units	(5 823)	(7 711)
Distributions paid to holders of redeemable units	—	(1)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 16 658</b>	<b>\$ 19 228</b>
Net increase (decrease) in cash for the period	(54)	5
Cash (bank overdraft), beginning of period	64	59
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 10</b>	<b>\$ 64</b>
Interest received (paid)	\$ 658	\$ 591
Dividends received, net of withholding taxes	\$ —	\$ —

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 0	
	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 70 635</b>	<b>\$ 49 142</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>2 621</b>	<b>2 779</b>
Early redemption fees	—	—
Proceeds from redeemable units issued	<b>22 431</b>	26 392
Reinvestments of distributions to holders of redeemable units	<b>3 190</b>	1 648
Redemption of redeemable units	<b>(5 823)</b>	(7 701)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>19 798</b>	20 339
Distributions from net income	<b>(3 190)</b>	(1 525)
Distributions from net gains	—	(100)
Distributions from capital	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(3 190)</b>	(1 625)
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>19 229</b>	21 493
<b>NAV AT END OF PERIOD</b>	<b>\$ 89 864</b>	<b>\$ 70 635</b>

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



**PHILLIPS, HAGER & NORTH**  
**LONG INFLATION-LINKED BOND FUND**

December 31, 2017

**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 5 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 2017	December 31 2016
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 2017	December 31 2016
Federal Bonds	99.9	99.7
Cash/Other	0.1	0.3
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 2017	December 31 2016
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, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 30.0% (December 31, 2016 – 26.0%). 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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	89 816	—	89 816
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	—	89 816	—	89 816
% of total portfolio	—	100.0	—	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	Operating expenses
Series 0	n/a*	0.02%

\* Series 0 unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	4 293
Non-capital losses	—

**PHILLIPS, HAGER & NORTH**  
**LONG INFLATION-LINKED BOND FUND**

December 31, 2017

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series 0</b>		
Opening units	6 007	4 330
Issued number of units	1 979	2 186
Reinvested number of units	276	140
Redeemed number of units	(497)	(649)
Ending number of units	7 765	6 007

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	–	–
Fair value of collateral received	–	–

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	–	100	–	–
RBC IS (paid)	–	(25)	–	–
Tax withheld	–	–	–	–
Fund revenue	–	75	–	–

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

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

	December 31 2017	December 31 2016
Phillips, Hager & North LifeTime 2020 Fund	–	2.5
Phillips, Hager & North LifeTime 2025 Fund	9.9	13.1
Phillips, Hager & North LifeTime 2030 Fund	19.1	20.0
Phillips, Hager & North LifeTime 2035 Fund	21.6	21.2
Phillips, Hager & North LifeTime 2040 Fund	18.5	17.9
Phillips, Hager & North LifeTime 2045 Fund	26.2	22.5
Phillips, Hager & North LifeTime 2050 Fund	4.7	2.8
Total	100.0	100.0

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, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets	Holdings	Security	Cost	Fair Value	% of Net Assets
<b>PREFERRED EQUITIES</b>					<b>PREFERRED EQUITIES (cont.)</b>				
36 400	Bank of Montreal, Preferred Series 29, 3.900%	\$ 797	\$ 848		132 500	Enbridge Inc., Preferred Series H, 4.000%	\$ 3 167	\$ 2 504	
113 700	Bank of Montreal, Preferred Series 31, 3.800%	2 005	2 632		28 900	Enbridge Inc., Preferred Series P, 4.000%	687	588	
94 800	Bank of Montreal, Preferred Series 38, 4.850%	2 435	2 495		153 700	Enbridge Inc., Preferred Series R, 4.000%	3 734	3 105	
30 500	Bank of Montreal, Preferred Series 40, 4.500%	763	790		64 325	Fortis Inc., Preferred Series J, 4.750%	1 554	1 489	
69 800	Bank of Nova Scotia, Preferred Series 20, 5.000%	1 768	1 743		35 300	Fortis Inc., Preferred Series M, 4.100%	883	838	
54 100	Bank of Nova Scotia, Preferred Series 36, 5.500%	1 446	1 455		123 700	Great-West Lifeco Inc., Preferred Series G, 5.200%	2 837	3 093	
40 000	Brookfield Asset Management Inc., Preferred Series 2, 2.100%	701	604		96 800	Great-West Lifeco Inc., Preferred Series M, 5.800%	2 443	2 512	
12 800	Brookfield Asset Management Inc., Preferred Series 26, 4.500%	229	266		154 900	Great-West Lifeco Inc., Preferred Series N, 3.650%	3 325	2 852	
52 200	Brookfield Asset Management Inc., Preferred Series 32, 4.500%	1 313	1 295		72 600	Great-West Lifeco Inc., Preferred Series P, 5.400%	1 815	1 853	
48 300	Brookfield Asset Management Inc., Preferred Series 37, 4.900%	912	1 096		21 700	Great-West Lifeco Inc., Preferred Series Q, 5.150%	537	536	
34 600	Brookfield Asset Management Inc., Preferred Series 40, 4.500%	865	851		31 200	Great-West Lifeco Inc., Preferred Series S, 5.250%	780	788	
91 400	Brookfield Asset Management Inc., Preferred Series 42, 4.500%	2 285	2 247		24 300	Great-West Lifeco Inc., Preferred Series T, 5.150%	608	601	
15 300	Brookfield Asset Management Inc., Preferred Series 44, 5.000%	402	404		25 000	Husky Energy Inc., Preferred Series 3, 4.500%	559	620	
186 500	Brookfield Asset Management Inc., Preferred Series 46, 4.800%	4 738	4 909		18 400	Manulife Financial Corporation, Preferred Series 2, 4.650%	432	417	
37 000	Brookfield Asset Management Inc., Preferred Series 48, 4.750 %	925	953		90 300	Manulife Financial Corporation, Preferred Series 19, 3.800%	2 258	2 105	
90 700	Canadian Utilities Ltd., Preferred Series CC, 4.500%	2 019	2 004		161 800	Manulife Financial Corporation, Preferred Series 21, 5.600%	4 374	4 359	
47 100	Canadian Utilities Ltd., Preferred Series DD, 4.500%	1 051	1 036		146 600	Manulife Financial Corporation, Preferred Series 23, 4.850%	3 782	3 850	
33 000	Canadian Utilities Ltd., Preferred Series FF, 4.500%	825	867		19 000	Power Financial Corp., Preferred Series T, 4.200%	475	468	
15 600	CU Inc., Preferred Series 4, 3.800%	338	255		50 800	Royal Bank of Canada, Preferred Series AA, 4.450%*	1 257	1 291	
219 300	Enbridge Inc., Preferred Series 3, 4.000%	5 340	4 331		100 600	Royal Bank of Canada, Preferred Series AC, 4.600%*	2 452	2 562	
20 900	Enbridge Inc., Preferred Series 11, 4.400%	523	440		36 000	Royal Bank of Canada, Preferred Series AD, 4.500%*	864	918	
42 900	Enbridge Inc., Preferred Series 17, 5.150%	1 103	1 101		40 000	Royal Bank of Canada, Preferred Series AG, 4.500%*	1 010	1 022	
12 600	Enbridge Inc., Preferred Series 19, 4.900%	315	314		25 000	Royal Bank of Canada, Preferred Series AJ, 5.000%*	605	628	
102 800	Enbridge Inc., Preferred Series B, 4.000%	2 383	1 922		16 900	Royal Bank of Canada, Preferred Series AZ, 4.000%*	374	396	
79 400	Enbridge Inc., Preferred Series D, 4.000%	1 968	1 567		160 600	Royal Bank of Canada, Preferred Series BD, 3.600%*	3 957	4 002	
92 900	Enbridge Inc., Preferred Series F, 4.000%	2 318	1 897		48 880	Royal Bank of Canada, Preferred Series BF, 3.600%*	1 103	1 209	

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

## PHILLIPS, HAGER &amp; NORTH MONTHLY INCOME FUND

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>PREFERRED EQUITIES (cont.)</b>				
13 800	Royal Bank of Canada, Preferred Series BM, 5.500%*	\$ 373	\$ 374	
26 500	Sun Life Financial Inc., Preferred Series 1, 4.750%	591	609	
72 200	Sun Life Financial Inc., Preferred Series 3, 4.450%	1 528	1 562	
186 300	Toronto-Dominion Bank, Preferred Series 3, 3.800%	4 416	4 369	
39 600	Toronto-Dominion Bank, Preferred Series 5, 3.750%	866	923	
32 400	Toronto-Dominion Bank, Preferred Series 7, 3.600%	752	807	
145 400	Toronto-Dominion Bank, Preferred Series 12, 5.500%	3 949	3 924	
75 200	Toronto-Dominion Bank, Preferred Series 14, 4.850%	1 908	1 985	
78 700	Toronto-Dominion Bank, Preferred Series S, 5.000%	1 968	1 975	
91 100	Toronto-Dominion Bank, Preferred Series Y, 5.100%	2 294	2 280	
80 200	TransCanada Corp., Preferred Series 3, 4.000%	1 594	1 318	
34 100	TransCanada Corp., Preferred Series 5, 4.400%	765	587	
90 500	TransCanada Corp., Preferred Series 11, 3.800%	2 252	2 217	
377 400	TransCanada Corp., Preferred Series 13, 5.500%	10 092	10 061	
25 600	Westcoast Energy Inc., Preferred Series 10, 5.250%	669	668	
98 950	Westcoast Energy Inc., Preferred Series 12, 5.200%	2 564	2 588	
<b>TOTAL PREFERRED EQUITIES</b>		<b>122 220</b>	<b>119 175</b>	<b>5.4</b>
<b>COMMON EQUITIES</b>				
<b>Consumer Discretionary</b>				
110 700	Dollarama Inc.	10 472	17 385	
212 400	Gildan Activewear Inc., Class A	8 113	8 626	
775 200	Quebecor Inc., Class B	14 653	18 372	
64 900	Restaurant Brands International Inc.	5 254	5 015	
781 300	Shaw Communications Inc., Class B	22 404	22 415	
		<b>60 896</b>	<b>71 813</b>	<b>3.3</b>
<b>Consumer Staples</b>				
518 700	Alimentation Couche-Tard Inc.	30 015	34 022	
		<b>30 015</b>	<b>34 022</b>	<b>1.5</b>
<b>Energy</b>				
1 661 950	ARC Resources Ltd.	29 076	24 514	
211 000	Canadian Natural Resources Ltd.	9 027	9 478	
1 094 800	Cenovus Energy Inc.	17 052	12 568	
1 388 280	Enbridge Inc.	72 097	68 248	
165 886	Enbridge Income Fund Holdings Inc.	4 612	4 945	
865 200	Encana Corp.	12 507	14 509	
653 439	Keyera Corp.	24 331	23 145	
76 400	Pembina Pipeline Corp.	2 886	3 477	
692 200	Seven Generations Energy Ltd.	17 086	12 307	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Energy (cont.)</b>				
511 500	Suncor Energy Inc.	\$ 22 743	\$ 23 606	
596 078	Tourmaline Oil Corp.	16 207	13 579	
556 686	TransCanada Corp.	34 418	34 058	
1 667 500	Whitecap Resources Inc.	14 744	14 924	
		<b>276 786</b>	<b>259 358</b>	<b>11.7</b>
<b>Financials</b>				
320 900	Bank of Montreal	29 816	32 279	
571 200	Bank of Nova Scotia	42 816	46 336	
823 100	Brookfield Asset Management Inc., Class A	37 721	45 040	
354 200	Canadian Imperial Bank of Commerce	38 036	43 404	
1 160 200	Element Fleet Management Corp.	13 937	11 022	
33 400	Fairfax Financial Holdings Ltd.	19 596	22 356	
321 600	Great-West Lifeco Inc.	11 345	11 288	
100 800	Industrial Alliance Insurance & Financial Services Inc.	5 879	6 030	
134 966	Intact Financial Corp.	13 199	14 170	
1 361 800	Manulife Financial Corporation	30 333	35 706	
905 610	Royal Bank of Canada*	74 315	92 961	
171 000	Sun Life Financial Inc.	8 194	8 871	
360 200	Thomson Corp.	20 712	19 735	
1 307 600	Toronto-Dominion Bank	78 847	96 305	
		<b>424 746</b>	<b>485 503</b>	<b>21.9</b>
<b>Industrials</b>				
223 200	Canadian National Railway Co.	21 573	23 135	
98 700	Canadian Pacific Railway Ltd.	19 867	22 667	
196 900	Finning International Inc.	4 797	6 246	
798 055	Stantec Inc.	25 754	28 060	
316 800	Waste Connections Inc.	23 678	28 246	
		<b>95 669</b>	<b>108 354</b>	<b>4.9</b>
<b>Information Technology</b>				
244 100	CGI Group Inc., Class A	15 676	16 672	
21 300	Constellation Software Inc.	13 462	16 231	
460 800	Open Text Corp.	19 227	20 602	
		<b>48 365</b>	<b>53 505</b>	<b>2.4</b>
<b>Materials</b>				
73 200	Agrium Inc.	9 011	10 583	
184 900	CCL Industries, Class B	9 549	10 739	
552 900	First Quantum Minerals Ltd.	8 549	9 737	
193 800	Teck Resources Ltd., Class B	5 587	6 370	
		<b>32 696</b>	<b>37 429</b>	<b>1.7</b>
<b>Real Estate</b>				
460 400	Brookfield Property Partners LP	13 351	12 822	
336 500	Canadian Real Estate Investment Trust	15 537	15 580	
872 700	First Capital Realty Inc.	17 471	18 082	
		<b>46 359</b>	<b>46 484</b>	<b>2.1</b>
<b>Telecommunication Services</b>				
117 580	Rogers Communications Inc., Class B	7 336	7 531	
214 100	TELUS Corp.	9 504	10 195	
		<b>16 840</b>	<b>17 726</b>	<b>0.8</b>

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

## PHILLIPS, HAGER &amp; NORTH MONTHLY INCOME FUND

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Utilities</b>				
213 650	Brookfield Infrastructure Partners LP	\$ 9 479	\$ 12 046	
117 600	Fortis Inc.	4 970	5 423	
		14 449	17 469	<b>0.8</b>
<b>TOTAL COMMON EQUITIES</b>		<b>1 046 821</b>	<b>1 131 663</b>	<b>51.1</b>

Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
8 218 718	Phillips, Hager & North High Yield Bond Fund*	\$ 94 818	\$ 93 942	
11 305 174	RBC High Yield Bond Fund*	120 734	124 184	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>215 552</b>	<b>218 126</b>	<b>9.8</b>

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>BONDS</b>						
<b>CANADIAN BONDS</b>						
<b>CORPORATE</b>						
386	Access Justice Durham Ltd.	5.015	31-Aug-2039	\$ 424	\$ 444	
685	Access Prairies Partnership	4.232	01-Mar-2048	685	714	
505	Aéroports de Montréal	6.950	16-Apr-2032	684	664	
475	Aéroports de Montréal	6.550	11-Oct-2033	678	679	
635	Aéroports de Montréal	5.170	17-Sep-2035	808	813	
455	Aéroports de Montréal	5.670	16-Oct-2037	644	625	
225	Aéroports de Montréal	3.919	26-Sep-2042	240	254	
360	Aéroports de Montréal	3.918	12-Jun-2045	408	410	
1 440	Aéroports de Montréal	3.360	24-Apr-2047	1 479	1 498	
2 040	Alberta Powerline LP	3.340	01-Jun-2032	2 040	2 080	
2 040	Alberta Powerline LP	3.351	01-Sep-2032	2 040	2 072	
450	Alberta Powerline LP	4.065	01-Dec-2053	450	482	
465	Alberta Powerline LP	4.065	01-Mar-2054	465	498	
836	Alectra Inc.	3.033	25-Jul-2022	832	859	
2 835	Alectra Inc.	2.488	17-May-2027	2 756	2 755	
665	Alliance Pipeline LP	4.928	16-Dec-2019	718	687	
2 148	Alliance Pipeline LP	7.181	30-Jun-2023	2 570	2 410	
515	Alliance Pipeline LP	5.546	31-Dec-2023	571	541	
2 031	Alliance Pipeline LP	6.765	31-Dec-2025	2 415	2 316	
1 305	Alliance Pipeline LP	7.217	31-Dec-2025	1 584	1 516	
1 380	AltaLink Investments LP	3.265	05-Jun-2020	1 383	1 407	
1 709	AltaLink Investments LP	2.244	07-Mar-2022	1 709	1 687	
530	AltaLink LP	5.381	26-Mar-2040	635	685	
1 005	Bow Centre Street LP	3.690	14-Jun-2021	1 001	992	
400	Bow Centre Street LP	3.693	14-Jun-2022	398	391	
1 750	Bow Centre Street LP	3.797	13-Jun-2023	1 750	1 689	
2 029	Brookfield Asset Management Inc.	5.040	08-Mar-2024	2 119	2 225	
3 310	Brookfield Asset Management Inc.	4.820	28-Jan-2026	3 384	3 588	
2 225	Brookfield Infrastructure Finance ULC	3.452	11-Mar-2022	2 229	2 263	
1 420	Brookfield Infrastructure Finance ULC	3.315	22-Feb-2024	1 437	1 414	
600	Brookfield Renewable Energy Partners ULC	5.140	13-Oct-2020	664	642	
510	Bruce Power LP	2.844	23-Jun-2021	510	514	
2 720	Bruce Power LP	3.969	23-Jun-2026	2 872	2 851	
290	Bruce Power LP	4.010	21-Jun-2029	292	302	
1 340	Cameco Corp.	5.670	02-Sep-2019	1 504	1 390	
980	Cameco Corp.	3.750	14-Nov-2022	986	968	
470	Cameco Corp.	4.190	24-Jun-2024	471	467	
235	Canadian Utilities Ltd.	9.400	01-May-2023	343	311	
3 220	Cominar Real Estate Investment Trust	4.941	27-Jul-2020	3 346	3 314	
1 086	Cominar Real Estate Investment Trust	4.250	08-Dec-2021	1 089	1 090	
955	Crombie Real Estate Investment Trust	3.986	31-Oct-2018	955	965	
555	Crosslinx Transit Solutions GP	4.555	30-Jun-2051	535	556	
555	CU Inc.	9.920	01-Apr-2022	806	713	
1 150	CU Inc.	6.215	06-Mar-2024	1 362	1 376	
500	CU Inc.	5.556	30-Oct-2037	607	651	

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

## PHILLIPS, HAGER &amp; NORTH MONTHLY INCOME FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
2 915	CU Inc.	4.094	19-Oct-2054	\$ 2 915	\$ 3 200	
1 090	CU Inc.	4.211	29-Oct-2055	1 104	1 238	
577	Dufferin Wind Power Inc.	4.317	30-Nov-2033	577	582	
2 578	EllisDon Infrastructure JBH Inc.	2.018	28-Nov-2019	2 607	2 578	
5 500	Emera Inc.	4.830	02-Dec-2019	6 037	5 752	
1 147	Enbridge Gas Distribution Inc.	4.770	17-Dec-2021	1 299	1 252	
1 285	Enbridge Gas Distribution Inc.	3.310	11-Sep-2025	1 285	1 334	
565	Enbridge Gas Distribution Inc.	2.500	05-Aug-2026	565	552	
2 440	Enbridge Inc.	4.260	01-Feb-2021	2 522	2 552	
1 615	Enbridge Inc.	3.160	11-Mar-2021	1 646	1 636	
355	Enbridge Inc.	5.120	28-Sep-2040	367	386	
265	Enbridge Income Fund	4.100	22-Feb-2019	277	270	
1 240	Enbridge Pipelines Inc.	3.790	17-Aug-2023	1 309	1 306	
3 335	Enbridge Pipelines Inc.	3.450	29-Sep-2025	3 363	3 435	
1 480	Enbridge Pipelines Inc.	6.050	12-Feb-2029	1 882	1 802	
185	Enbridge Pipelines Inc.	5.330	06-Apr-2040	235	223	
1 070	Enbridge Pipelines Inc.	4.130	09-Aug-2046	1 071	1 108	
2 043	Enbridge Southern Lights LP	4.014	30-Jun-2040	2 043	2 024	
515	Enwave Energy Corp.	3.943	07-Dec-2037	515	517	
1 560	Fortis Inc.	2.850	12-Dec-2023	1 562	1 559	
295	FortisAlberta Inc.	5.850	15-Apr-2038	375	396	
361	FortisBC Energy Inc.	6.500	01-May-2034	461	499	
600	FortisBC Energy Inc.	5.550	25-Sep-2036	685	773	
740	FortisBC Inc.	5.900	04-Jul-2047	973	1 056	
626	Grand Renewable Solar LP	3.926	31-Jan-2035	626	619	
640	Greater Toronto Airports Authority	3.040	21-Sep-2022	681	660	
315	Greater Toronto Airports Authority	6.450	03-Dec-2027	420	416	
90	Greater Toronto Airports Authority	7.050	12-Jun-2030	129	129	
140	Greater Toronto Airports Authority	7.100	04-Jun-2031	207	204	
720	Greater Toronto Airports Authority	6.980	15-Oct-2032	1 030	1 063	
515	Greater Toronto Airports Authority	6.470	02-Feb-2034	736	740	
310	Greater Toronto Airports Authority	5.630	07-Jun-2040	409	434	
1 000	Greater Toronto Airports Authority	4.530	02-Dec-2041	1 218	1 238	
2 835	H2O Power LP	3.310	30-Nov-2029	2 835	2 813	
785	Hydro One Inc.	1.620	30-Apr-2020	775	776	
530	Hydro One Inc.	6.930	01-Jun-2032	781	745	
1 345	Hydro One Inc.	6.350	31-Jan-2034	1 751	1 829	
345	Hydro One Inc.	3.910	23-Feb-2046	369	368	
325	Hydro One Inc.	3.790	31-Jul-2062	338	336	
470	Hydro Ottawa Holdings Inc.	2.614	03-Feb-2025	478	464	
1 072	Kingston Solar LP	3.571	31-Jul-2035	1 072	1 043	
410	Lower Mattagami Energy LP	2.307	21-Oct-2026	410	395	
1 225	Maple Leaf Sports & Entertainment Ltd.	4.940	30-Jun-2023	1 225	1 282	
1 245	Maritimes & Northeast Pipeline LP	6.900	30-Nov-2019	1 403	1 303	
8 250	MEG Energy Corp. USD	6.500	15-Jan-2025	10 874	10 280	
1 587	Melancthon Wolfe Wind LP	3.834	31-Dec-2028	1 587	1 615	
665	Mountain View Partners GP	3.974	31-Mar-2051	665	669	
2 156	North Battleford Power LP	4.958	31-Dec-2032	2 240	2 382	
4 015	North West Redwater Partnership	2.800	01-Jun-2027	3 887	3 887	
2 470	North West Redwater Partnership	4.250	01-Jun-2029	2 461	2 680	
565	North West Redwater Partnership	3.650	01-Jun-2035	565	571	
595	North West Redwater Partnership	4.750	01-Jun-2037	591	682	
400	Northland Power Solar Finance One LP	4.397	30-Jun-2032	400	419	
430	Nova Scotia Power Inc.	8.850	19-May-2025	619	588	
2 415	Ontario Power Generation Inc.	3.315	04-Oct-2027	2 424	2 456	
394	Ottawa MacDonald-Cartier International Airport Authority	6.973	25-May-2032	535	504	
3 293	Pembina Pipeline Corp.	3.540	03-Feb-2025	3 303	3 319	

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

## PHILLIPS, HAGER &amp; NORTH MONTHLY INCOME FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CORPORATE (cont.)</b>						
874	Plenary Health North Bay Finco Inc.	5.182	13-Mar-2040	\$ 945	\$ 951	
910	PSS Generating Station LP	4.795	24-Oct-2067	910	1 000	
1 545	Ridley Grain Ltd.	5.227	01-Aug-2024	1 545	1 661	
3 287	Royal Bank of Canada*	2.820	12-Jul-2018	3 368	3 307	
1 433	SEC LP and Arci Ltd.	5.188	29-Aug-2033	1 433	1 508	
1 010	SGTP Highway Bypass LP	4.105	31-Jan-2045	1 010	1 062	
405	Sun Life Financial Inc.	2.770	13-May-2024	410	407	
1 455	TELUS Corp.	4.750	17-Jan-2045	1 473	1 530	
1 880	Teranet Holdings LP	4.807	16-Dec-2020	2 003	1 968	
750	Toromont Industries Ltd.	3.710	30-Sep-2025	750	768	
1 195	TransCanada PipeLines Ltd.	4.350	06-Jun-2046	1 199	1 284	
1 210	TransCanada PipeLines Ltd.	4.330	16-Sep-2047	1 210	1 295	
2 085	TransEd Partners GP	3.951	30-Sep-2050	1 928	2 050	
600	Union Gas Ltd.	8.750	03-Aug-2018	745	624	
1 800	Union Gas Ltd.	4.850	25-Apr-2022	2 020	1 977	
433	Union Gas Ltd.	3.790	10-Jul-2023	449	459	
1 680	Union Gas Ltd.	2.810	01-Jun-2026	1 667	1 681	
717	Union Gas Ltd.	4.200	02-Jun-2044	761	803	
620	Union Gas Ltd.	3.800	01-Jun-2046	641	652	
195	Vancouver Airport Authority	3.857	10-Nov-2045	218	221	
390	Westcoast Energy Inc.	5.600	16-Jan-2019	430	404	
725	Westcoast Energy Inc.	3.883	28-Oct-2021	748	760	
285	Westcoast Energy Inc.	6.750	15-Dec-2027	367	356	
315	Westcoast Energy Inc.	4.791	28-Oct-2041	338	349	
540	Winnipeg Airport Authority Inc.	3.039	14-Apr-2023	530	551	
373	Winnipeg Airport Authority Inc.	6.102	20-Nov-2040	463	481	
				165 158	165 816	7.5
<b>FEDERAL</b>						
10 469	Canada Housing Trust No. 1	1.250	15-Dec-2020	10 435	10 271	
3 433	Canada Housing Trust No. 1	3.350	15-Dec-2020	3 771	3 574	
27 890	Canada Housing Trust No. 1	1.250	15-Jun-2021	27 905	27 209	
4 318	Canada Housing Trust No. 1	1.150	15-Dec-2021	4 232	4 171	
6 536	Canada Housing Trust No. 1	1.500	15-Dec-2021	6 543	6 401	
8 626	Canada Housing Trust No. 1	2.650	15-Mar-2022	9 197	8 826	
22 596	Canada Housing Trust No. 1	1.750	15-Jun-2022	22 662	22 264	
21 459	Canada Housing Trust No. 1	2.400	15-Dec-2022	21 776	21 720	
1 525	Canada Housing Trust No. 1	2.250	15-Dec-2025	1 533	1 515	
763	Canada Housing Trust No. 1	1.900	15-Sep-2026	741	735	
10 770	Canada Housing Trust No. 1	2.350	15-Jun-2027	10 771	10 731	
3 170	Canada Housing Trust No. 1	2.350	15-Mar-2028	3 168	3 151	
6 430	Government of Canada	1.250	01-Nov-2019	6 409	6 379	
18 846	Government of Canada	1.250	01-Feb-2020	18 690	18 667	
14 795	Government of Canada	1.500	01-Mar-2020	15 028	14 728	
10 351	Government of Canada	3.500	01-Jun-2020	11 418	10 783	
34 753	Government of Canada	0.750	01-Sep-2020	34 572	33 873	
13 121	Government of Canada	0.750	01-Mar-2021	13 143	12 710	
23 520	Government of Canada	3.250	01-Jun-2021	26 006	24 656	
10 114	Government of Canada	0.750	01-Sep-2021	10 032	9 743	
2 820	Government of Canada	0.500	01-Mar-2022	2 707	2 670	
6 337	Government of Canada	1.750	01-Mar-2023	6 308	6 292	
17 856	Government of Canada	1.500	01-Jun-2023	17 690	17 495	
4 880	Government of Canada	2.500	01-Jun-2024	5 159	5 042	
4 655	Government of Canada	2.250	01-Jun-2025	4 749	4 736	
400	Government of Canada	1.500	01-Jun-2026	386	383	
1 555	Government of Canada	3.500	01-Dec-2045	1 970	1 943	
931	Government of Canada	1.250	01-Dec-2047	1 053	1 105	

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



## PHILLIPS, HAGER &amp; NORTH MONTHLY INCOME FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>FEDERAL (cont.)</b>						
12 800	Government of Canada	2.750	01-Dec-2048	\$ 14 202	\$ 14 176	
1 521	Government of Canada	0.500	01-Dec-2050	1 476	1 500	
2 688	Government of Canada	2.000	01-Dec-2051	2 565	2 516	
				316 297	309 965	<b>14.0</b>
<b>PROVINCIAL/MUNICIPAL</b>						
420	City of Montreal	2.750	01-Sep-2026	419	419	
1 146	City of Ottawa	3.100	27-Jul-2048	1 099	1 128	
633	First Nations Finance Authority	3.050	01-Jun-2028	632	636	
10	Hospital for Sick Children	5.217	16-Dec-2049	10	13	
1 070	Hospital for Sick Children	3.416	07-Dec-2057	1 070	1 077	
100	Municipal Finance Authority of British Columbia	4.950	01-Dec-2027	120	119	
3 536	Ontario Electricity Financial Corp.	8.500	26-May-2025	5 118	4 917	
6 908	Ontario Electricity Financial Corp.	8.250	22-Jun-2026	10 267	9 780	
615	Ontrea Inc.	4.619	09-Apr-2018	615	620	
4 855	OPB Finance Trust	2.980	25-Jan-2027	4 871	4 909	
7 031	Province of Alberta	2.350	01-Jun-2025	7 147	6 945	
417	Province of Alberta	3.900	01-Dec-2033	455	469	
2 546	Province of Alberta	3.450	01-Dec-2043	2 840	2 748	
5 748	Province of Alberta	3.300	01-Dec-2046	6 076	6 070	
834	Province of Manitoba	4.050	05-Sep-2045	911	988	
6 650	Province of Manitoba	2.850	05-Sep-2046	6 097	6 393	
1 669	Province of New Brunswick	3.650	03-Jun-2024	1 846	1 783	
484	Province of New Brunswick	4.800	03-Jun-2041	565	621	
1 836	Province of New Brunswick	3.550	03-Jun-2043	1 780	1 979	
3 458	Province of New Brunswick	3.800	14-Aug-2045	3 669	3 898	
2 694	Province of Newfoundland and Labrador	3.300	17-Oct-2046	2 522	2 729	
2 670	Province of Ontario	2.850	02-Jun-2023	2 764	2 744	
4 674	Province of Ontario	8.100	08-Sep-2023	6 618	6 088	
857	Province of Ontario	7.500	07-Feb-2024	1 193	1 102	
2 789	Province of Ontario	3.500	02-Jun-2024	3 061	2 969	
1 416	Province of Ontario	2.600	02-Jun-2025	1 472	1 425	
5 657	Province of Ontario	8.500	02-Dec-2025	8 534	8 017	
8 973	Province of Ontario	2.400	02-Jun-2026	8 872	8 862	
15 408	Province of Ontario	6.200	02-Jun-2031	21 597	21 276	
14 465	Province of Ontario	5.600	02-Jun-2035	20 164	19 885	
1 000	Province of Ontario	4.700	02-Jun-2037	1 272	1 267	
12 100	Province of Ontario	4.600	02-Jun-2039	15 834	15 319	
601	Province of Ontario	4.650	02-Jun-2041	810	775	
22 240	Province of Ontario	3.500	02-Jun-2043	23 742	24 435	
2 062	Province of Ontario	2.900	02-Dec-2046	2 013	2 043	
2 477	Province of Ontario	2.800	02-Jun-2048	2 393	2 411	
3 030	Province of Ontario	2.900	02-Jun-2049	3 027	3 014	
245	Province of Quebec	4.250	01-Dec-2021	274	265	
4 847	Province of Quebec	9.375	16-Jan-2023	7 223	6 468	
10 769	Province of Quebec	8.500	01-Apr-2026	16 337	15 442	
250	Province of Quebec	2.500	01-Sep-2026	250	249	
1 112	Province of Quebec	2.750	01-Sep-2027	1 123	1 127	
4 090	Province of Quebec	6.000	01-Oct-2029	5 403	5 431	
635	Province of Quebec	5.750	01-Dec-2036	887	901	
1 677	Province of Quebec	3.500	01-Dec-2045	1 828	1 857	
1 544	Province of Quebec	3.500	01-Dec-2048	1 678	1 727	
2 267	Province of Saskatchewan	2.550	02-Jun-2026	2 258	2 259	
798	Province of Saskatchewan	6.400	05-Sep-2031	1 193	1 117	
1 811	Province of Saskatchewan	3.900	02-Jun-2045	2 235	2 113	
1 885	Province of Saskatchewan	2.750	02-Dec-2046	1 839	1 793	
2 297	South Coast British Columbia Transportation Authority	3.800	02-Nov-2020	2 418	2 402	

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



## PHILLIPS, HAGER &amp; NORTH MONTHLY INCOME FUND

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>PROVINCIAL/MUNICIPAL (cont.)</b>						
500	South Coast British Columbia Transportation Authority	4.450	09-Jun-2044	\$ 583	\$ 612	
979	South Coast British Columbia Transportation Authority	3.150	16-Nov-2048	977	974	
582	University of British Columbia	6.650	01-Dec-2031	779	801	
				228 780	225 411	10.2
<b>TOTAL CANADIAN BONDS</b>				710 235	701 192	31.7
<b>UNITED KINGDOM BONDS</b>						
1 547	National Grid Electricity Transmission Plc. CAD	2.900	26-Nov-2019	1 546	1 567	
<b>TOTAL UNITED KINGDOM BONDS</b>				1 546	1 567	0.1
<b>UNITED STATES BONDS</b>						
1 105	Anheuser-Busch InBev Finance Inc. CAD	2.600	15-May-2024	1 105	1 081	
2 260	AT&T Inc. CAD	3.825	25-Nov-2020	2 293	2 339	
380	Bank of America Corp. CAD	3.228	22-Jun-2022	390	388	
2 685	Bank of America Corp. CAD	2.604	15-Mar-2023	2 685	2 667	
675	Bank of America Corp. CAD	3.407	20-Sep-2025	675	687	
1 415	Merrill Lynch & Co. Inc. CAD	5.290	30-May-2022	1 396	1 397	
725	Molson Coors International LP CAD	2.250	18-Sep-2018	723	727	
2 580	Molson Coors International LP CAD	2.750	18-Sep-2020	2 567	2 592	
3 520	United Parcel Service Inc. CAD	2.125	21-May-2024	3 516	3 410	
<b>TOTAL UNITED STATES BONDS</b>				15 350	15 288	0.7
<b>TOTAL BONDS</b>				727 131	718 047	32.5
<b>MORTGAGE-BACKED SECURITIES</b>						
17	Equitable Bank	4.350	01-Jan-2018	18	17	
33	Peoples Trust	4.200	01-Oct-2019	33	34	
<b>TOTAL MORTGAGE-BACKED SECURITIES</b>				51	51	—
<b>SHORT-TERM INVESTMENTS†</b>				22 214	22 214	1.0
<b>TOTAL INVESTMENTS</b>				2 133 989	2 209 276	99.8
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				—	55	—
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				—	(7)	—
<b>TOTAL PORTFOLIO</b>				\$ 2 133 989	2 209 324	99.8
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					5 225	0.2
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					\$ 2 214 549	100.0

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

December 31, 2017

**SCHEDULE A****Foreign Exchange Contracts**

<b>Contracts</b>	<b>Maturity Date</b>	<b>Unrealized Gain</b>
Bought CAD 318 Sold USD 250 @ 1.2721	11-Jan-2018	\$ 4
Bought USD 3 872 Sold CAD 4 836 @ 0.8006	11-Jan-2018	30
Bought CAD 1 155 Sold USD 903 @ 1.2793	02-Mar-2018	21
		<u>\$ 55</u>

<b>Contracts</b>	<b>Maturity Date</b>	<b>Unrealized Loss</b>
Bought CAD 13 450 Sold USD 10 704 @ 1.2565	11-Jan-2018	\$ (3)
Bought CAD 374 Sold USD 300 @ 1.2462	11-Jan-2018	(4)
		<u>\$ (7)</u>
<b>TOTAL FOREIGN EXCHANGE</b>		<u>\$ 48</u>

All counterparties have a credit rating of at least A.

\* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.17% to 1.35% and mature between January 2, 2018 and January 15, 2018.

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

	December 31 2017	December 31 2016
<b>(see note 2 in the generic notes)</b>		
<b>ASSETS</b>		
Investments at fair value	\$ 2 209 276	\$ 2 355 615
Cash	2 621	3 799
Due from investment dealers	1 581	5 814
Subscriptions receivable	382	1 072
Unrealized gain on foreign exchange contracts	55	—
Dividends receivable, interest accrued and other assets	6 207	6 795
<b>TOTAL ASSETS</b>	<b>2 220 122</b>	<b>2 373 095</b>
<b>LIABILITIES</b>		
Due to investment dealers	264	1 877
Redemptions payable	2 227	3 116
Unrealized loss on foreign exchange contracts	7	160
Accounts payable and accrued expenses	3 075	3 352
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>5 573</b>	<b>8 505</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 2 214 549</b>	<b>\$ 2 364 590</b>
Investments at cost	\$ 2 133 989	\$ 2 262 958
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 1 594 244</b>	<b>\$ 1 790 651</b>
<b>ADVISOR SERIES</b>	<b>\$ 67 994</b>	<b>\$ 81 979</b>
<b>SERIES H</b>	<b>\$ 49 161</b>	<b>\$ 59 545</b>
<b>SERIES D</b>	<b>\$ 135 358</b>	<b>\$ 135 614</b>
<b>SERIES F</b>	<b>\$ 199 701</b>	<b>\$ 117 816</b>
<b>SERIES I</b>	<b>\$ 8 489</b>	<b>\$ 9 571</b>
<b>SERIES O</b>	<b>\$ 159 602</b>	<b>\$ 169 414</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 9.62</b>	<b>\$ 9.72</b>
<b>ADVISOR SERIES</b>	<b>\$ 9.63</b>	<b>\$ 9.72</b>
<b>SERIES H</b>	<b>\$ 9.73</b>	<b>\$ 9.81</b>
<b>SERIES D</b>	<b>\$ 10.33</b>	<b>\$ 10.35</b>
<b>SERIES F</b>	<b>\$ 10.56</b>	<b>\$ 10.55</b>
<b>SERIES I</b>	<b>\$ 10.66</b>	<b>\$ 10.64</b>
<b>SERIES O</b>	<b>\$ 11.24</b>	<b>\$ 11.14</b>

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

	2017	2016
<b>(see note 2 in the generic notes)</b>		
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 37 864	\$ 43 482
Interest for distribution purposes	24 871	28 024
Other income (loss)	544	502
Other income received from underlying funds	11 545	12 884
Securities lending revenue (see note 7 in the generic notes)	229	198
Capital gains received from underlying funds	2 291	730
Net realized gain (loss) on investments	75 538	37 489
Net gain (loss) on foreign currencies and other net assets	1 269	(322)
Change in unrealized gain (loss) on investments	(17 162)	203 359
<b>TOTAL INCOME (LOSS)</b>	<b>136 989</b>	<b>326 346</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	32 430	34 953
Administration fees	2 214	2 328
Independent Review Committee costs	3	2
GST/HST	3 298	3 566
Transaction costs	2 249	4 152
<b>TOTAL EXPENSES</b>	<b>40 194</b>	<b>45 001</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 96 795</b>	<b>\$ 281 345</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 66 859</b>	<b>\$ 214 650</b>
<b>ADVISOR SERIES</b>	<b>\$ 2 935</b>	<b>\$ 10 155</b>
<b>SERIES H</b>	<b>\$ 2 200</b>	<b>\$ 6 305</b>
<b>SERIES D</b>	<b>\$ 6 584</b>	<b>\$ 16 380</b>
<b>SERIES F</b>	<b>\$ 8 183</b>	<b>\$ 9 442</b>
<b>SERIES I</b>	<b>\$ 465</b>	<b>\$ 1 127</b>
<b>SERIES O</b>	<b>\$ 9 569</b>	<b>\$ 23 286</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.38</b>	<b>\$ 1.10</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.38</b>	<b>\$ 1.12</b>
<b>SERIES H</b>	<b>\$ 0.40</b>	<b>\$ 1.03</b>
<b>SERIES D</b>	<b>\$ 0.50</b>	<b>\$ 1.25</b>
<b>SERIES F</b>	<b>\$ 0.54</b>	<b>\$ 1.20</b>
<b>SERIES I</b>	<b>\$ 0.54</b>	<b>\$ 1.29</b>
<b>SERIES O</b>	<b>\$ 0.65</b>	<b>\$ 1.45</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 96 795	\$ 281 345
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	(30)	(59)
Non-cash distributions from underlying funds	(13 836)	(13 614)
Net realized loss (gain) on investments	(73 450)	(32 193)
Change in unrealized loss (gain) on investments	17 162	(203 359)
(Increase) decrease in accrued receivables	588	3 237
Increase (decrease) in accrued payables	(277)	(428)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(3 144 660)	(7 648 073)
Proceeds from sale and maturity of investments	3 363 565	8 119 536
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>245 857</b>	<b>506 392</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	195 730	229 577
Cash paid on redemption of redeemable units	(428 278)	(718 586)
Distributions paid to holders of redeemable units	(14 487)	(14 490)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (247 035)</b>	<b>\$ (503 499)</b>
Net increase (decrease) in cash for the period	(1 178)	2 893
Cash (bank overdraft), beginning of period	3 799	906
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 2 621</b>	<b>\$ 3 799</b>
Interest received (paid)	\$ 25 409	\$ 29 084
Dividends received, net of withholding taxes	\$ 38 428	\$ 46 102

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 H		Series D	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 1 790 651</b>	<b>\$ 2 048 442</b>	<b>\$ 81 979</b>	<b>\$ 94 677</b>	<b>\$ 59 545</b>	<b>\$ 40 118</b>	<b>\$ 135 614</b>	<b>\$ 130 065</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>66 859</b>	<b>214 650</b>	<b>2 935</b>	<b>10 155</b>	<b>2 200</b>	<b>6 305</b>	<b>6 584</b>	<b>16 380</b>
Early redemption fees	—	1	—	—	—	—	—	—
Proceeds from redeemable units issued	<b>139 692</b>	101 783	<b>4 638</b>	6 429	<b>784</b>	28 793	<b>16 621</b>	18 285
Reinvestments of distributions to holders of redeemable units	<b>78 062</b>	81 974	<b>2 329</b>	2 564	<b>1 753</b>	1 790	<b>4 774</b>	4 420
Redemption of redeemable units	<b>(395 776)</b>	(565 783)	<b>(20 179)</b>	(27 629)	<b>(12 452)</b>	(14 838)	<b>(21 408)</b>	(27 209)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(178 022)</b>	(382 025)	<b>(13 212)</b>	(18 636)	<b>(9 915)</b>	15 745	<b>(13)</b>	(4 504)
Distributions from net income	<b>(15 267)</b>	(49 322)	<b>(664)</b>	(2 301)	<b>(478)</b>	(1 431)	<b>(1 223)</b>	(3 451)
Distributions from net gains	<b>(52 621)</b>	(15 145)	<b>(2 289)</b>	(706)	<b>(1 648)</b>	(439)	<b>(4 214)</b>	(1 060)
Distributions from capital	<b>(17 356)</b>	(25 949)	<b>(755)</b>	(1 210)	<b>(543)</b>	(753)	<b>(1 390)</b>	(1 816)
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(85 244)</b>	(90 416)	<b>(3 708)</b>	(4 217)	<b>(2 669)</b>	(2 623)	<b>(6 827)</b>	(6 327)
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(196 407)</b>	(257 791)	<b>(13 985)</b>	(12 698)	<b>(10 384)</b>	19 427	<b>(256)</b>	5 549
<b>NAV AT END OF PERIOD</b>	<b>\$ 1 594 244</b>	<b>\$ 1 790 651</b>	<b>\$ 67 994</b>	<b>\$ 81 979</b>	<b>\$ 49 161</b>	<b>\$ 59 545</b>	<b>\$ 135 358</b>	<b>\$ 135 614</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series F		Series I		Series O		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 117 816</b>	<b>\$ 66 943</b>	<b>\$ 9 571</b>	<b>\$ 8 160</b>	<b>\$ 169 414</b>	<b>\$ 195 642</b>	<b>\$ 2 364 590</b>	<b>\$ 2 584 047</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>8 183</b>	<b>9 442</b>	<b>465</b>	<b>1 127</b>	<b>9 569</b>	<b>23 286</b>	<b>96 795</b>	<b>281 345</b>
Early redemption fees	—	—	—	—	—	—	—	1
Proceeds from redeemable units issued	<b>109 059</b>	62 908	<b>961</b>	2 453	<b>9 228</b>	9 399	<b>280 983</b>	230 050
Reinvestments of distributions to holders of redeemable units	<b>5 479</b>	2 315	<b>351</b>	333	<b>8 030</b>	8 212	<b>100 778</b>	101 608
Redemption of redeemable units	<b>(32 647)</b>	(20 035)	<b>(2 404)</b>	(2 079)	<b>(28 466)</b>	(58 790)	<b>(513 332)</b>	(716 363)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>81 891</b>	45 188	<b>(1 092)</b>	707	<b>(11 208)</b>	(41 179)	<b>(131 571)</b>	(384 704)
Distributions from net income	<b>(1 467)</b>	(2 050)	<b>(81)</b>	(231)	<b>(1 464)</b>	(4 547)	<b>(20 644)</b>	(63 333)
Distributions from net gains	<b>(5 055)</b>	(629)	<b>(281)</b>	(71)	<b>(5 045)</b>	(1 396)	<b>(71 153)</b>	(19 446)
Distributions from capital	<b>(1 667)</b>	(1 078)	<b>(93)</b>	(121)	<b>(1 664)</b>	(2 392)	<b>(23 468)</b>	(33 319)
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(8 189)</b>	(3 757)	<b>(455)</b>	(423)	<b>(8 173)</b>	(8 335)	<b>(115 265)</b>	(116 098)
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>81 885</b>	50 873	<b>(1 082)</b>	1 411	<b>(9 812)</b>	(26 228)	<b>(150 041)</b>	(219 457)
<b>NAV AT END OF PERIOD</b>	<b>\$ 199 701</b>	<b>\$ 117 816</b>	<b>\$ 8 489</b>	<b>\$ 9 571</b>	<b>\$ 159 602</b>	<b>\$ 169 414</b>	<b>\$ 2 214 549</b>	<b>\$ 2 364 590</b>

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

December 31, 2017

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 5 in the generic notes)

#### Credit risk (%)

Credit-exposed securities, excluding short-term investments, comprise 42.3% (December 31, 2016 – 42.8%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	33.3	25.4
AA	22.3	26.2
A	11.4	12.1
BBB	10.9	17.0
BB	10.2	7.3
B	9.0	9.0
CCC	2.7	2.8
Unrated	0.2	0.2
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 2017	December 31 2016
Canadian Equities	51.2	50.3
Bonds	40.9	42.8
Preferred Equities	5.4	5.1
Cash/Other	2.5	1.8
Total	100.0	100.0

#### Interest rate risk (%)

Fixed-income and debt securities, excluding short-term investments, comprise 42.3% (December 31, 2016 – 33.0%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2017	December 31 2016
Term to maturity		
Less than 1 year	1.2	3.6
1 – 5 years	39.4	32.5
5 – 10 years	31.2	30.7
> 10 years	28.2	33.2
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 3.1% (December 31, 2016 – 2.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.7	+ 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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	1 250 838	–	–	1 250 838
Mutual fund units	218 126	–	–	218 126
Fixed-income				
and debt securities	–	718 098	–	718 098
Short-term investments	–	22 214	–	22 214
Derivatives – assets	–	55	–	55
Derivatives – liabilities	–	(7)	–	(7)
Total financial instruments	1 468 964	740 360	–	2 209 324
% of total portfolio	66.5	33.5	–	100.0

December 31, 2017

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

### Management fees and operating expenses (see note 8 in the generic notes)

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

	Management fees	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 2017	December 31 2016
<b>Units held</b>		
Advisor Series	146	139
Series H	138	131
Series I	134	127
Series O	72	69
<b>Value of all units</b>	<b>5</b>	<b>5</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
High Yield Bond Fund	4.2	2.4	4.2	2.4
RBC High Yield Bond Fund	5.6	6.4	5.6	6.5

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

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

### Redeemable units (000s)

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

	2017	2016
For the periods ended December 31 (see note 2 in the generic notes)		
<b>Series A</b>		
Opening units	184 156	225 496
Issued number of units	14 385	10 862
Reinvested number of units	8 110	8 713
Redeemed number of units	(40 969)	(60 915)
Ending number of units	165 682	184 156
<b>Advisor Series</b>		
Opening units	8 431	10 422
Issued number of units	480	689
Reinvested number of units	242	273
Redeemed number of units	(2 088)	(2 953)
Ending number of units	7 065	8 431
<b>Series H</b>		
Opening units	6 067	4 385
Issued number of units	81	3 045
Reinvested number of units	180	187
Redeemed number of units	(1 275)	(1 550)
Ending number of units	5 053	6 067
<b>Series D</b>		
Opening units	13 107	13 571
Issued number of units	1 607	1 846
Reinvested number of units	464	443
Redeemed number of units	(2 074)	(2 753)
Ending number of units	13 104	13 107

December 31, 2017

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

	2017	2016
<b>Series F</b>		
Opening units	11 171	6 872
Issued number of units	10 332	6 069
Reinvested number of units	522	227
Redeemed number of units	(3 106)	(1 997)
Ending number of units	18 919	11 171
<b>Series I</b>		
Opening units	900	832
Issued number of units	89	242
Reinvested number of units	33	32
Redeemed number of units	(226)	(206)
Ending number of units	796	900
<b>Series O</b>		
Opening units	15 206	19 159
Issued number of units	823	883
Reinvested number of units	721	769
Redeemed number of units	(2 548)	(5 605)
Ending number of units	14 202	15 206

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	2 249	100	4 152	100
Related-party brokerage commissions*	159	7	318	8
Commission arrangements†	258	11	452	11

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	171 913	276 397
Fair value of collateral received	175 630	282 272

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	333	100	318	100
RBC IS (paid)	(92)	(28)	(111)	(35)
Tax withheld	(12)	(4)	(9)	(3)
Fund revenue	229	68	198	62

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

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

	December 31 2017	December 31 2016
Phillips, Hager & North Monthly Income Class	5.0	5.3



## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH BALANCED FUND**

December 31, 2017

Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
34 192 796	Phillips, Hager & North Bond Fund*	\$ 357 928	\$ 348 780	
24 699 301	Phillips, Hager & North Canadian Equity Underlying Fund*	244 950	299 649	
1 451 861	Phillips, Hager & North Canadian Money Market Fund*	14 519	14 519	
2 165 222	RBC Emerging Markets Equity Fund*	29 118	39 396	
12 420 883	RBC Global Equity Focus Fund*	142 516	201 812	
5 836 866	RBC QUBE Global Equity Fund*	73 603	66 834	
<b>TOTAL MUTUAL FUND UNITS</b>		862 634	970 990	<b>99.5</b>
<b>SHORT-TERM INVESTMENTS†</b>		4 651	4 651	<b>0.5</b>
<b>TOTAL INVESTMENTS</b>		<u>\$ 867 285</u>	975 641	<b>100.0</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			304	—
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<u>\$ 975 945</u>	<b>100.0</b>

\* Investment in related party (see note 8 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 0.95% to 1.37% and mature between January 2, 2018 and January 30, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 975 641	\$ 861 686
Cash	252	250
Subscriptions receivable	968	1 035
Dividends receivable, interest accrued and other assets	5	3
<b>TOTAL ASSETS</b>	<b>976 866</b>	<b>862 974</b>
<b>LIABILITIES</b>		
Redemptions payable	210	131
Accounts payable and accrued expenses	711	622
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>921</b>	<b>753</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 975 945</b>	<b>\$ 862 221</b>
Investments at cost	\$ 867 285	\$ 796 832
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 27 008</b>	<b>\$ 24 070</b>
<b>ADVISOR SERIES</b>	<b>\$ 15 361</b>	<b>\$ 12 629</b>
<b>SERIES D</b>	<b>\$ 874 608</b>	<b>\$ 775 562</b>
<b>SERIES F</b>	<b>\$ 17 088</b>	<b>\$ 11 697</b>
<b>SERIES O</b>	<b>\$ 41 880</b>	<b>\$ 38 263</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 20.39</b>	<b>\$ 19.31</b>
<b>ADVISOR SERIES</b>	<b>\$ 20.44</b>	<b>\$ 19.36</b>
<b>SERIES D</b>	<b>\$ 20.46</b>	<b>\$ 19.26</b>
<b>SERIES F</b>	<b>\$ 20.44</b>	<b>\$ 19.24</b>
<b>SERIES O</b>	<b>\$ 20.25</b>	<b>\$ 19.05</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ 43	\$ 29
Other income received from underlying funds	23 118	22 864
Capital gains received from underlying funds	19 187	16 389
Net realized gain (loss) on investments	7 308	5 626
Change in unrealized gain (loss) on investments	43 502	22 628
<b>TOTAL INCOME (LOSS)</b>	<b>93 158</b>	<b>67 536</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	6 992	6 153
Administration fees	367	332
Independent Review Committee costs	3	2
GST/HST	548	486
<b>TOTAL EXPENSES</b>	<b>7 910</b>	<b>6 973</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 85 248</b>	<b>\$ 60 563</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 2 061</b>	<b>\$ 1 477</b>
<b>ADVISOR SERIES</b>	<b>\$ 1 131</b>	<b>\$ 406</b>
<b>SERIES D</b>	<b>\$ 76 670</b>	<b>\$ 54 801</b>
<b>SERIES F</b>	<b>\$ 1 330</b>	<b>\$ 716</b>
<b>SERIES O</b>	<b>\$ 4 056</b>	<b>\$ 3 163</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 1.65</b>	<b>\$ 1.17</b>
<b>ADVISOR SERIES</b>	<b>\$ 1.57</b>	<b>\$ 1.21</b>
<b>SERIES D</b>	<b>\$ 1.87</b>	<b>\$ 1.41</b>
<b>SERIES F</b>	<b>\$ 1.86</b>	<b>\$ 1.37</b>
<b>SERIES O</b>	<b>\$ 2.03</b>	<b>\$ 1.53</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 85 248	\$ 60 563
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(42 305)	(39 253)
Net realized loss (gain) on investments	(7 308)	(5 626)
Change in unrealized loss (gain) on investments	(43 502)	(22 628)
(Increase) decrease in accrued receivables	(2)	1
Increase (decrease) in accrued payables	89	50
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(286 573)	(341 014)
Proceeds from sale and maturity of investments	265 733	338 329
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(28 620)</b>	<b>(9 578)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	119 940	115 439
Cash paid on redemption of redeemable units	(89 591)	(104 053)
Distributions paid to holders of redeemable units	(1 727)	(1 558)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 28 622</b>	<b>\$ 9 828</b>
Net increase (decrease) in cash for the period	2	250
Cash (bank overdraft), beginning of period	250	—
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 252</b>	<b>\$ 250</b>
Interest received (paid)	\$ 42	\$ 29
Dividends received, net of withholding taxes	\$ —	\$ —

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 24 070</b>	<b>\$ 24 677</b>	<b>\$ 12 629</b>	<b>\$ 5 881</b>	<b>\$ 775 562</b>	<b>\$ 713 802</b>	<b>\$ 11 697</b>	<b>\$ 7 085</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>2 061</b>	<b>1 477</b>	<b>1 131</b>	<b>406</b>	<b>76 670</b>	<b>54 801</b>	<b>1 330</b>	<b>716</b>
Early redemption fees	—	—	—	—	—	1	—	—
Proceeds from redeemable units issued	6 525	7 160	4 577	7 502	98 596	83 974	10 354	12 654
Reinvestments of distributions to holders of redeemable units	675	561	385	263	27 166	23 375	487	299
Redemption of redeemable units	(5 583)	(9 184)	(2 937)	(1 137)	(75 310)	(76 243)	(6 238)	(8 697)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>1 617</b>	<b>(1 463)</b>	<b>2 025</b>	<b>6 628</b>	<b>50 452</b>	<b>31 107</b>	<b>4 603</b>	<b>4 256</b>
Distributions from net income	(309)	(318)	(174)	(156)	(13 664)	(14 157)	(263)	(206)
Distributions from net gains	(431)	(303)	(250)	(130)	(14 412)	(9 991)	(279)	(154)
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(740)</b>	<b>(621)</b>	<b>(424)</b>	<b>(286)</b>	<b>(28 076)</b>	<b>(24 148)</b>	<b>(542)</b>	<b>(360)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>2 938</b>	<b>(607)</b>	<b>2 732</b>	<b>6 748</b>	<b>99 046</b>	<b>61 760</b>	<b>5 391</b>	<b>4 612</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 27 008</b>	<b>\$ 24 070</b>	<b>\$ 15 361</b>	<b>\$ 12 629</b>	<b>\$ 874 608</b>	<b>\$ 775 562</b>	<b>\$ 17 088</b>	<b>\$ 11 697</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 38 263</b>	<b>\$ 39 081</b>	<b>\$ 862 221</b>	<b>\$ 790 526</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>4 056</b>	<b>3 163</b>	<b>85 248</b>	<b>60 563</b>
Early redemption fees	—	—	—	1
Proceeds from redeemable units issued	6 764	4 718	126 816	116 008
Reinvestments of distributions to holders of redeemable units	988	876	29 701	25 374
Redemption of redeemable units	(6 545)	(8 058)	(96 613)	(103 319)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>1 207</b>	<b>(2 464)</b>	<b>59 904</b>	<b>38 064</b>
Distributions from net income	(956)	(1 025)	(15 366)	(15 862)
Distributions from net gains	(690)	(492)	(16 062)	(11 070)
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(1 646)</b>	<b>(1 517)</b>	<b>(31 428)</b>	<b>(26 932)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>3 617</b>	<b>(818)</b>	<b>113 724</b>	<b>71 695</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 41 880</b>	<b>\$ 38 263</b>	<b>\$ 975 945</b>	<b>\$ 862 221</b>

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

December 31, 2017

**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

**Credit risk (%)**

Credit-exposed securities, excluding short-term investments, comprise 35.7% (December 31, 2016 – 37.1%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	44.8	32.6
AA	28.9	32.3
A	15.8	15.3
BBB	9.3	15.9
BB	0.5	1.4
B	–	1.5
CCC	–	0.3
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 2017	December 31 2016
Bonds	34.5	37.3
Canadian Equities	31.2	31.1
Global Equities	30.3	30.8
Cash/Other	4.0	0.8
Total	100.0	100.0

**Interest rate risk (%)**

Fixed-income and debt securities, excluding short-term investments, comprise 35.8% (December 31, 2016 – 37.2%) of the NAV 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 2017	December 31 2016
Less than 1 year	2.8	3.7
1 – 5 years	37.0	30.2
5 – 10 years	29.3	33.6
> 10 years	30.9	32.5
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.6% (December 31, 2016 – 2.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Currency risk (% of NAV)**

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

Currency	December 31 2017	December 31 2016
United States dollar	17.8	18.0
Euro	2.7	3.9
Pound sterling	2.5	2.2
Hong Kong dollar	1.3	0.8
Swiss franc	1.3	0.9
Japanese yen	1.3	1.1
South African rand	1.2	1.0
Indian rupee	0.7	–
Danish krone	–	0.7
Other currencies	2.5	1.9
Total	31.3	30.5

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.6% (December 31, 2016 – 1.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**PHILLIPS, HAGER & NORTH BALANCED FUND**

December 31, 2017

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

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

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
Total Return Index	+ 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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	—	—	—	—
Mutual fund units	970 990	—	—	970 990
<b>Fixed-income</b>				
and debt securities	—	—	—	—
Short-term investments	—	4 651	—	4 651
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
<b>Total financial instruments</b>	<b>970 990</b>	<b>4 651</b>	<b>—</b>	<b>975 641</b>
<b>% of total portfolio</b>	<b>99.5</b>	<b>0.5</b>	<b>—</b>	<b>100.0</b>

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

For the periods ended December 31, 2017 and 2016, 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 8 in the generic notes)**

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

	Management fees	Operating expenses*
Series A	1.75%	0.04%
Advisor Series	1.75%	0.04%
Series D	0.75%	0.04%
Series F	0.75%	0.04%
Series O	n/a <sup>†</sup>	0.01%

\* Effective June 30, 2017, the administration fees for Series A, Advisor Series and Series F units were reduced to 0.04% from 0.08%.

<sup>†</sup> 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 2017	December 31 2016
<b>Units held</b>		
Series A	39	38
Advisor Series	76	74
Series D	41	40
Series F	42	40
Series O	45	43
<b>Value of all units</b>	<b>5</b>	<b>5</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Bond Fund	35.8	3.6	35.7	3.0
Phillips, Hager & North Canadian Equity Underlying Fund	30.7	11.1	31.2	10.7
Phillips, Hager & North Canadian Money Market Fund	1.5	0.8	0.5	0.3

**PHILLIPS, HAGER & NORTH BALANCED FUND**

December 31, 2017

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
RBC Emerging Markets Equity Fund	4.0	1.0	3.8	1.3
RBC Global Equity Focus Fund	20.7	6.9	20.2	8.1
RBC High Yield Bond Fund	–	–	1.5	0.6
RBC QUBE Global Equity Fund	6.8	22.7	6.8	16.8

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series A</b>		
Opening units	1 246	1 325
Issued number of units	324	379
Reinvested number of units	33	29
Redeemed number of units	(278)	(487)
Ending number of units	1 325	1 246
<b>Advisor Series</b>		
Opening units	652	316
Issued number of units	228	382
Reinvested number of units	19	14
Redeemed number of units	(147)	(60)
Ending number of units	752	652
<b>Series D</b>		
Opening units	40 274	38 649
Issued number of units	4 893	4 454
Reinvested number of units	1 327	1 213
Redeemed number of units	(3 741)	(4 042)
Ending number of units	42 753	40 274
<b>Series F</b>		
Opening units	608	384
Issued number of units	511	659
Reinvested number of units	24	16
Redeemed number of units	(307)	(451)
Ending number of units	836	608
<b>Series O</b>		
Opening units	2 009	2 140
Issued number of units	337	254
Reinvested number of units	49	46
Redeemed number of units	(327)	(431)
Ending number of units	2 068	2 009

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH DIVIDEND INCOME FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Consumer Discretionary</b>				
150 000	Cineplex Inc.	\$ 7 687	\$ 5 600	
450 000	EnerCare Inc.	7 097	9 230	
600 000	Magna International Inc., Class A	10 065	42 744	
(1 000)	Magna International Inc., Class A, Written Call @ 70.00 January 19, 2018	(282)	(207)	
285 000	Restaurant Brands International Inc.	14 176	22 022	
770 000	Shaw Communications Inc., Class B	15 144	22 091	
		53 887	101 480	<b>3.9</b>
<b>Consumer Staples</b>				
531 000	Alimentation Couche-Tard Inc.	33 274	34 828	
880 000	Cott Corporation	14 776	18 462	
100 000	George Weston Ltd.	7 127	10 916	
580 000	Jamieson Wellness Inc.	10 759	12 957	
640 001	Loblaw Companies Ltd.	29 804	43 661	
		95 740	120 824	<b>4.6</b>
<b>Energy</b>				
630 000	ARC Resources Ltd.	13 344	9 293	
873 764	Bonavista Energy Corp.	18 408	1 966	
625 000	Bonterra Energy Corp.	17 405	9 563	
1 145 000	Canadian Natural Resources Ltd.	46 451	51 433	
2 800 000	Cardinal Energy Ltd.	21 846	14 251	
2 145 000	Cenovus Energy Inc.	49 663	24 625	
910 694	Crescent Point Energy Corp.	29 894	8 724	
2 119 000	Enbridge Inc.	65 493	104 170	
271 527	Enbridge Inc., Restricted April 7, 2018	12 175	13 157	
700 000	Enbridge Income Fund Holdings Inc.	19 893	20 867	
440 000	Gibson Energy Inc.	8 838	7 999	
240 000	Keyera Corp.	10 347	8 501	
301 400	Parkland Fuel Corp.	7 537	8 093	
620 000	Pembina Pipeline Corp.	18 845	28 216	
545 000	PrairieSky Royalty Ltd.	16 597	17 473	
1 810 000	Suncor Energy Inc.	59 010	83 532	
1 206 800	TransCanada Corp.	48 825	73 832	
275 000	Vermilion Energy Inc.	14 192	12 562	
1 409 404	Whitecap Resources Inc.	16 482	12 614	
		495 245	510 871	<b>19.4</b>
<b>Financials</b>				
744 600	Alaris Royalty Corp.	18 747	15 391	
1 030 000	Bank of Montreal	55 396	103 608	
1 865 000	Bank of Nova Scotia	102 021	151 289	
1 750 000	Brookfield Asset Management Inc., Class A	28 574	95 760	
640 000	Canadian Imperial Bank of Commerce	38 166	78 426	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials (cont.)</b>				
300 000	CI Financial Corp.	\$ 6 683	\$ 8 931	
27 600	Fairfax Financial Holdings Ltd.	18 311	18 474	
370 000	Intact Financial Corp.	21 198	38 846	
3 200 000	Manulife Financial Corporation	62 250	83 904	
820 000	Power Corporation of Canada	13 995	26 543	
2 220 000	Royal Bank of Canada*	77 029	227 883	
1 065 000	Sun Life Financial Inc.	30 912	55 252	
445 000	Thomson Corp.	14 744	24 382	
2 700 000	Toronto-Dominion Bank	53 266	198 855	
		541 292	1 127 544	<b>42.9</b>
<b>Health Care</b>				
700 000	Chartwell Retirement Residences Real Estate Investment Trust	10 629	11 382	
500 000	Medical Facilities Corp.	8 453	7 115	
		19 082	18 497	<b>0.7</b>
<b>Industrials</b>				
1 160 000	Canadian National Railway Co.	30 481	120 234	
175 000	Canadian Pacific Railway Ltd.	17 914	40 191	
200 000	Russel Metals Inc.	5 517	5 834	
185 000	SNC-Lavalin Group Inc.	9 714	10 554	
283 400	Stantec Inc.	8 573	9 964	
407 563	Waste Connections Inc.	24 135	36 338	
		96 334	223 115	<b>8.5</b>
<b>Information Technology</b>				
440 000	Open Text Corp.	16 134	19 672	
		16 134	19 672	<b>0.8</b>
<b>Materials</b>				
140 000	Agnico Eagle Mines Ltd.	7 902	8 126	
100 000	Agrium Inc.	6 429	14 458	
775 000	Chemtrade Logistics Income Fund	14 692	15 035	
155 000	Franco-Nevada Corp.	11 797	15 571	
1 075 000	Goldcorp Inc.	39 308	17 232	
469 382	Neo Performance Materials Inc.	8 449	8 402	
880 000	Potash Corporation of Saskatchewan Inc.	23 641	22 686	
1 235 000	Tahoe Resources Inc.	13 427	7 447	
325 000	Teck Resources Ltd., Class B	15 197	10 683	
450 000	Wheaton Precious Metals Corp.	11 106	12 506	
		151 948	132 146	<b>5.0</b>
<b>Real Estate</b>				
270 000	Allied Properties Real Estate Investment Trust	8 543	11 362	
740 000	Brookfield Property Partners LP	16 415	20 609	
600 000	First Capital Realty Inc.	8 861	12 432	
2 200 000	Pure Industrial Real Estate Investment Trust	11 943	14 894	
300 000	SmartCentres Real Estate Investment Trust	8 323	9 273	
800 000	Tricon Capital Group Inc.	8 506	9 240	
900 000	WPT Industrial Real Estate Investment Trust	15 084	14 390	
		77 675	92 200	<b>3.5</b>

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



## PHILLIPS, HAGER &amp; NORTH DIVIDEND INCOME FUND

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Telecommunication Services</b>				
1 050 000	BCE Inc.	\$ 38 649	\$ 63 399	
565 000	Rogers Communications Inc., Class B	20 387	36 188	
690 000	TELUS Corp.	18 803	32 858	
		<u>77 839</u>	<u>132 445</u>	<u>5.0</u>
<b>Utilities</b>				
150 000	Atco Ltd., Class I, Non-Voting	1 304	6 750	
400 000	Brookfield Infrastructure Partners LP	7 327	22 552	
350 000	Brookfield Renewable Partners LP	9 509	15 334	
425 000	Canadian Utilities Ltd., Class A	11 878	15 899	
630 000	Crius Energy Trust	5 460	5 720	
440 000	Fortis Inc.	13 138	20 288	
800 000	Superior Plus Corp.	6 739	9 496	
1 600 000	TransAlta Corp.	14 880	11 920	
		<u>70 235</u>	<u>107 959</u>	<u>4.1</u>
<b>TOTAL CANADIAN EQUITIES</b>		<u>1 695 411</u>	<u>2 586 753</u>	<u>98.4</u>

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CANADIAN BONDS</b>						
12 250	DHX Media Ltd., Convertible	5.875	30-Sep-2024	\$ 12 250	\$ 11 821	
7 800	Element Fleet Management Corp., Convertible	4.250	30-Jun-2020	7 800	7 781	
<b>TOTAL CANADIAN BONDS</b>				<u>20 050</u>	<u>19 602</u>	<u>0.8</u>
<b>SHORT-TERM INVESTMENTS†</b>				<u>13 834</u>	<u>13 834</u>	<u>0.5</u>
<b>TOTAL INVESTMENTS</b>				<u>1 729 295</u>	<u>2 620 189</u>	<u>99.7</u>
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				—	55	—
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				—	(80)	—
<b>TOTAL PORTFOLIO</b>				<u>\$ 1 729 295</u>	<u>2 620 164</u>	<u>99.7</u>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					<u>7 186</u>	<u>0.3</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					<u>\$ 2 627 350</u>	<u>100.0</u>

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

December 31, 2017

**SCHEDULE A****Foreign Exchange Contracts**

<b>Contracts</b>	<b>Maturity Date</b>	<b>Unrealized Gain</b>
Bought CAD 1 138 Sold USD 906 @ 1.2565	11-Jan-2018	\$ —
Bought USD 300 Sold CAD 375 @ 0.8010	11-Jan-2018	3
Bought CAD 1 356 Sold USD 1 060 @ 1.2788	02-Mar-2018	24
Bought CAD 1 556 Sold USD 1 216 @ 1.2793	02-Mar-2018	28
		<b>\$ 55</b>

<b>Contracts</b>	<b>Maturity Date</b>	<b>Unrealized Loss</b>
Bought CAD 11 278 Sold USD 9 030 @ 1.2490	11-Jan-2018	\$ (71)
Bought USD 300 Sold CAD 386 @ 0.7771	11-Jan-2018	(9)
		<b>\$ (80)</b>
<b>TOTAL FOREIGN EXCHANGE</b>		<b>\$ (25)</b>

All counterparties have a credit rating of at least A.

\* Investment in related party (see note 8 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 0.95% to 1.37% and mature between January 2, 2018 and January 30, 2018.

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 2 620 189	\$ 2 581 572
Cash	1 751	1 899
Subscriptions receivable	583	537
Unrealized gain on foreign exchange contracts	55	—
Dividends receivable, interest accrued and other assets	7 012	6 513
<b>TOTAL ASSETS</b>	<b>2 629 590</b>	<b>2 590 521</b>
<b>LIABILITIES</b>		
Redemptions payable	542	2 265
Unrealized loss on foreign exchange contracts	80	—
Accounts payable and accrued expenses	1 618	1 589
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>2 240</b>	<b>3 854</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 2 627 350</b>	<b>\$ 2 586 667</b>
Investments at cost	\$ 1 729 295	\$ 1 711 173
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 74 477</b>	<b>\$ 74 417</b>
<b>ADVISOR SERIES</b>	<b>\$ 11 765</b>	<b>\$ 10 934</b>
<b>SERIES D</b>	<b>\$ 1 696 795</b>	<b>\$ 1 681 957</b>
<b>SERIES F</b>	<b>\$ 61 085</b>	<b>\$ 46 199</b>
<b>SERIES O</b>	<b>\$ 783 228</b>	<b>\$ 773 160</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 107.83</b>	<b>\$ 103.90</b>
<b>ADVISOR SERIES</b>	<b>\$ 107.82</b>	<b>\$ 103.91</b>
<b>SERIES D</b>	<b>\$ 106.78</b>	<b>\$ 102.91</b>
<b>SERIES F</b>	<b>\$ 107.62</b>	<b>\$ 103.73</b>
<b>SERIES O</b>	<b>\$ 105.09</b>	<b>\$ 101.31</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 81 800	\$ 82 411
Interest for distribution purposes	1 187	706
Other income (loss)	2 215	2 240
Securities lending revenue (see note 7 in the generic notes)	293	281
Net realized gain (loss) on investments	122 640	42 342
Net gain (loss) on foreign currencies and other net assets	512	173
Change in unrealized gain (loss) on investments	20 470	378 590
<b>TOTAL INCOME (LOSS)</b>	<b>229 117</b>	<b>506 743</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	15 880	15 910
Administration fees	1 297	1 191
Independent Review Committee costs	3	2
GST/HST	1 549	1 544
Transaction costs	498	624
Withholding tax	84	43
<b>TOTAL EXPENSES</b>	<b>19 311</b>	<b>19 314</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 209 806</b>	<b>\$ 487 429</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 5 134</b>	<b>\$ 12 452</b>
<b>ADVISOR SERIES</b>	<b>\$ 814</b>	<b>\$ 1 512</b>
<b>SERIES D</b>	<b>\$ 131 006</b>	<b>\$ 315 669</b>
<b>SERIES F</b>	<b>\$ 4 436</b>	<b>\$ 7 858</b>
<b>SERIES O</b>	<b>\$ 68 416</b>	<b>\$ 149 938</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 7.40</b>	<b>\$ 18.17</b>
<b>ADVISOR SERIES</b>	<b>\$ 7.65</b>	<b>\$ 17.91</b>
<b>SERIES D</b>	<b>\$ 8.22</b>	<b>\$ 18.84</b>
<b>SERIES F</b>	<b>\$ 8.85</b>	<b>\$ 19.43</b>
<b>SERIES O</b>	<b>\$ 9.13</b>	<b>\$ 19.59</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 209 806	\$ 487 429
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(122 236)	(41 650)
Change in unrealized loss (gain) on investments	(20 470)	(378 590)
(Increase) decrease in accrued receivables	(499)	696
Increase (decrease) in accrued payables	29	(57)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(1 464 618)	(1 624 946)
Proceeds from sale and maturity of investments	1 568 732	1 722 685
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>170 744</b>	<b>165 567</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	116 590	150 957
Cash paid on redemption of redeemable units	(258 431)	(298 890)
Distributions paid to holders of redeemable units	(29 051)	(16 667)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (170 892)</b>	<b>\$ (164 600)</b>
Net increase (decrease) in cash for the period	(148)	967
Cash (bank overdraft), beginning of period	1 899	932
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 1 751</b>	<b>\$ 1 899</b>
Interest received (paid)	\$ 1 013	\$ 702
Dividends received, net of withholding taxes	\$ 83 606	\$ 85 308

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 74 417</b>	<b>\$ 59 220</b>	<b>\$ 10 934</b>	<b>\$ 6 470</b>	<b>\$ 1 681 957</b>	<b>\$ 1 498 563</b>	<b>\$ 46 199</b>	<b>\$ 32 131</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>5 134</b>	<b>12 452</b>	<b>814</b>	<b>1 512</b>	<b>131 006</b>	<b>315 669</b>	<b>4 436</b>	<b>7 858</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	10 510	19 957	2 338	5 033	54 176	48 836	23 058	13 331
Reinvestments of distributions to holders of redeemable units	2 107	903	351	118	62 830	34 806	2 033	898
Redemption of redeemable units	(15 336)	(17 124)	(2 299)	(2 075)	(164 231)	(177 807)	(12 144)	(6 980)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(2 719)</b>	<b>3 736</b>	<b>390</b>	<b>3 076</b>	<b>(47 225)</b>	<b>(94 165)</b>	<b>12 947</b>	<b>7 249</b>
Distributions from net income	(927)	(991)	(143)	(124)	(36 256)	(38 110)	(1 318)	(1 039)
Distributions from net gains	(1 428)	—	(230)	—	(32 687)	—	(1 179)	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(2 355)</b>	<b>(991)</b>	<b>(373)</b>	<b>(124)</b>	<b>(68 943)</b>	<b>(38 110)</b>	<b>(2 497)</b>	<b>(1 039)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>60</b>	<b>15 197</b>	<b>831</b>	<b>4 464</b>	<b>14 838</b>	<b>183 394</b>	<b>14 886</b>	<b>14 068</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 74 477</b>	<b>\$ 74 417</b>	<b>\$ 11 765</b>	<b>\$ 10 934</b>	<b>\$ 1 696 795</b>	<b>\$ 1 681 957</b>	<b>\$ 61 085</b>	<b>\$ 46 199</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 773 160</b>	<b>\$ 667 635</b>	<b>\$ 2 586 667</b>	<b>\$ 2 264 019</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>68 416</b>	<b>149 938</b>	<b>209 806</b>	<b>487 429</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	54 981	63 970	145 063	151 127
Reinvestments of distributions to holders of redeemable units	17 500	11 665	84 821	48 390
Redemption of redeemable units	(91 125)	(95 255)	(285 135)	(299 241)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(18 644)</b>	<b>(19 620)</b>	<b>(55 251)</b>	<b>(99 724)</b>
Distributions from net income	(24 369)	(24 793)	(63 013)	(65 057)
Distributions from net gains	(15 335)	—	(50 859)	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(39 704)</b>	<b>(24 793)</b>	<b>(113 872)</b>	<b>(65 057)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>10 068</b>	<b>105 525</b>	<b>40 683</b>	<b>322 648</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 783 228</b>	<b>\$ 773 160</b>	<b>\$ 2 627 350</b>	<b>\$ 2 586 667</b>

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

December 31, 2017

### 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 5 in the generic notes)

#### Concentration risk (%)

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

	December 31 2017	December 31 2016
Investment mix		
Financials	42.9	43.2
Energy	19.4	19.1
Industrials	8.5	7.7
Telecommunication Services	5.0	5.1
Materials	5.0	4.3
Consumer Staples	4.6	3.7
Utilities	4.1	5.6
Consumer Discretionary	3.9	4.1
Real Estate	3.5	3.5
Information Technology	0.8	0.6
Health Care	0.7	0.3
Cash/Other	1.6	2.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

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

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

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
Total Return Index	+ or - 1.0	+ 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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>2 573 596</b>	<b>13 157</b>	<b>—</b>	<b>2 586 753</b>
<b>Mutual fund units</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Fixed-income</b>				
and debt securities	—	19 602	—	19 602
Short-term investments	—	13 834	—	13 834
Derivatives – assets	—	55	—	55
Derivatives – liabilities	—	(80)	—	(80)
<b>Total financial instruments</b>	<b>2 573 596</b>	<b>46 568</b>	<b>—</b>	<b>2 620 164</b>
<b>% of total portfolio</b>	<b>98.2</b>	<b>1.8</b>	<b>—</b>	<b>100.0</b>

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

### Management fees and operating expenses (see note 8 in the generic notes)

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

	Management fees*	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.

December 31, 2017

**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 2017	December 31 2016
<b>Units held</b>		
Series A	8	8
Advisor Series	15	15
Series D	3	2
Series F	8	8
Series O	9	9
<b>Value of all units</b>	<b>5</b>	<b>4</b>

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series A</b>		
Opening units	716	680
Issued number of units	100	212
Reinvested number of units	20	9
Redeemed number of units	(145)	(185)
Ending number of units	691	716

**Advisor Series**

Opening units	105	74
Issued number of units	23	52
Reinvested number of units	3	1
Redeemed number of units	(22)	(22)
Ending number of units	109	105

**Series D**

Opening units	16 344	17 377
Issued number of units	516	524
Reinvested number of units	595	363
Redeemed number of units	(1 564)	(1 920)
Ending number of units	15 891	16 344

**Series F**

Opening units	445	370
Issued number of units	219	140
Reinvested number of units	19	9
Redeemed number of units	(115)	(74)
Ending number of units	568	445

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

	2017	2016
<b>Series O</b>		
Opening units	7 632	7 862
Issued number of units	532	695
Reinvested number of units	169	124
Redeemed number of units	(880)	(1 049)
Ending number of units	7 453	7 632

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	498	100	624	100
Related-party brokerage commissions*	58	12	44	7
Commission arrangements†	17	3	18	3

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	140 778	474 625
Fair value of collateral received	143 593	484 117

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	448	100	521	100
RBC IS (paid)	(124)	(28)	(182)	(35)
Tax withheld	(31)	(7)	(58)	(11)
Fund revenue	293	65	281	54

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, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Consumer Discretionary</b>				
145 238	Dollarama Inc.	\$ 9 261	\$ 22 810	
292 402	Gildan Activewear Inc., Class A	9 469	11 874	
377 900	Quebecor Inc., Class B	7 183	8 956	
96 752	Restaurant Brands International Inc.	4 116	7 476	
579 387	Shaw Communications Inc., Class B	15 883	16 623	
		45 912	67 739	<b>5.9</b>
<b>Consumer Staples</b>				
411 007	Alimentation Couche-Tard Inc.	11 577	26 958	
		11 577	26 958	<b>2.4</b>
<b>Energy</b>				
1 084 119	ARC Resources Ltd.	20 516	15 991	
210 149	Cameco Corp.	6 260	2 439	
547 243	Canadian Natural Resources Ltd.	19 688	24 581	
975 619	Cenovus Energy Inc.	18 214	11 199	
1 260 696	Enbridge Inc.	60 764	61 975	
1 068 400	Encana Corp.	15 446	17 917	
399 385	Keyera Corp.	14 943	14 146	
169 000	Pembina Pipeline Corp.	5 432	7 691	
651 300	Raging River Exploration Inc.	4 999	5 210	
777 400	Seven Generations Energy Ltd.	16 317	13 822	
427 152	Suncor Energy Inc.	15 663	19 713	
605 907	Tourmaline Oil Corp.	19 239	13 803	
494 599	TransCanada Corp.	28 739	30 260	
1 088 900	Whitecap Resources Inc.	9 547	9 746	
		255 767	248 493	<b>21.8</b>
<b>Financials</b>				
241 763	Bank of Montreal	20 029	24 319	
722 380	Bank of Nova Scotia	40 225	58 599	
812 990	Brookfield Asset Management Inc., Class A	22 171	44 487	
222 091	Canadian Imperial Bank of Commerce	23 228	27 215	
596 600	Element Fleet Management Corp.	7 558	5 668	
25 500	Fairfax Financial Holdings Ltd.	15 241	17 068	
100 300	Industrial Alliance Insurance & Financial Services Inc.	5 852	6 000	
94 722	Intact Financial Corp.	8 917	9 945	
1 437 369	Manulife Financial Corporation	26 909	37 688	
777 623	Royal Bank of Canada*	39 026	79 823	
179 694	Sun Life Financial Inc.	7 489	9 323	
220 780	Thomson Corp.	9 020	12 097	
1 166 155	Toronto-Dominion Bank	30 969	85 887	
		256 634	418 119	<b>36.6</b>
<b>Industrials</b>				
286 780	Canadian National Railway Co.	6 991	29 725	
61 200	Canadian Pacific Railway Ltd.	12 045	14 055	
133 119	Stantec Inc.	4 622	4 680	
221 250	Waste Connections Inc.	14 369	19 727	
		38 027	68 187	<b>6.0</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Information Technology</b>				
303 449	CGI Group Inc., Class A	\$ 12 409	\$ 20 726	
8 700	Constellation Software Inc.	4 739	6 630	
381 334	Open Text Corp.	13 964	17 049	
		31 112	44 405	<b>3.9</b>
<b>Materials</b>				
137 405	Agnico Eagle Mines Ltd.	5 346	7 975	
83 417	Agrium Inc.	5 699	12 060	
170 747	Alamos Gold Inc., Class A	1 460	1 398	
831 015	B2Gold Corp.	3 291	3 224	
237 600	Barrick Gold Corp.	5 111	4 320	
569 600	Belo Sun Mining Corp.	484	225	
59 300	CCL Industries, Class B	3 175	3 444	
191 400	Continental Gold Inc.	1 428	647	
115 550	Detour Gold Corp.	1 995	1 708	
88 812	Endeavour Mining Corp.	1 699	2 276	
712 807	First Quantum Minerals Ltd.	10 330	12 553	
58 200	Franco-Nevada Corp.	4 108	5 847	
202 992	Goldcorp Inc.	5 495	3 254	
92 229	IAMGOLD Corporation	655	676	
187 200	Kinross Gold Corp.	1 002	1 015	
167 200	Kirkland Lake Gold Ltd.	2 260	3 222	
252 927	Mountain Province Diamonds Inc.	1 282	862	
365 380	OceanaGold Corp.	1 531	1 180	
156 900	Semafo Inc.	606	560	
244 100	Teck Resources Ltd., Class B	7 113	8 024	
119 128	Torex Gold Resources Inc.	2 513	1 421	
463 054	Turquoise Hill Resources Ltd.	3 111	1 987	
144 750	Wheaton Precious Metals Corp.	4 150	4 023	
		73 844	81 901	<b>7.2</b>
<b>Real Estate</b>				
410 300	Brookfield Property Partners LP	11 574	11 427	
427 700	First Capital Realty Inc.	8 557	8 862	
		20 131	20 289	<b>1.8</b>
<b>Telecommunication Services</b>				
70 047	Rogers Communications Inc., Class B	2 091	4 487	
125 826	TELUS Corp.	3 218	5 992	
		5 309	10 479	<b>0.9</b>
<b>Utilities</b>				
193 650	Brookfield Infrastructure Partners LP	7 586	10 918	
141 100	Fortis Inc.	5 762	6 506	
		13 348	17 424	<b>1.5</b>
<b>TOTAL CANADIAN EQUITIES</b>		<b>751 661</b>	<b>1 003 994</b>	<b>88.0</b>

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



**PHILLIPS, HAGER & NORTH CANADIAN EQUITY FUND**

December 31, 2017

Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
3 852 941	Phillips, Hager & North Small Float Fund*	\$ 63 081	\$ 125 365	
<b>TOTAL MUTUAL FUND UNITS</b>		63 081	125 365	<b>11.0</b>
<b>SHORT-TERM INVESTMENTS†</b>		7 683	7 683	<b>0.7</b>
<b>TOTAL INVESTMENTS</b>		<u>\$ 822 425</u>	1 137 042	<b>99.7</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			3 797	<b>0.3</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<u>\$1 140 839</u>	<b>100.0</b>

\* Investment in related party (see note 8 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 0.95% to 1.17% and mature between January 2, 2018 and January 3, 2018.

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 1 137 042	\$ 1 153 182
Cash	1 043	1 022
Due from investment dealers	779	1 953
Subscriptions receivable	1 442	569
Dividends receivable, interest accrued and other assets	1 944	1 912
<b>TOTAL ASSETS</b>	<b>1 142 250</b>	<b>1 158 638</b>
<b>LIABILITIES</b>		
Due to investment dealers	261	304
Redemptions payable	676	480
Accounts payable and accrued expenses	474	480
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>1 411</b>	<b>1 264</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 1 140 839</b>	<b>\$ 1 157 374</b>
Investments at cost	\$ 822 425	\$ 813 742
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 18 126</b>	<b>\$ 22 124</b>
<b>ADVISOR SERIES</b>	<b>\$ 1 443</b>	<b>\$ 1 412</b>
<b>SERIES D</b>	<b>\$ 506 955</b>	<b>\$ 509 894</b>
<b>SERIES F</b>	<b>\$ 14 073</b>	<b>\$ 10 109</b>
<b>SERIES O</b>	<b>\$ 600 242</b>	<b>\$ 613 835</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 102.09</b>	<b>\$ 101.67</b>
<b>ADVISOR SERIES</b>	<b>\$ 102.17</b>	<b>\$ 101.71</b>
<b>SERIES D</b>	<b>\$ 99.00</b>	<b>\$ 98.61</b>
<b>SERIES F</b>	<b>\$ 101.06</b>	<b>\$ 100.68</b>
<b>SERIES O</b>	<b>\$ 98.35</b>	<b>\$ 98.04</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 27 315	\$ 28 155
Interest for distribution purposes	79	93
Other income received from underlying funds	1 466	1 742
Securities lending revenue (see note 7 in the generic notes)	5	—
Net realized gain (loss) on investments	68 941	32 071
Net gain (loss) on foreign currencies and other net assets	18	40
Change in unrealized gain (loss) on investments	(24 823)	172 173
<b>TOTAL INCOME (LOSS)</b>	<b>73 001</b>	<b>234 274</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	4 677	4 773
Administration fees	455	434
Independent Review Committee costs	3	2
GST/HST	420	429
Transaction costs	549	788
<b>TOTAL EXPENSES</b>	<b>6 104</b>	<b>6 426</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 66 897</b>	<b>\$ 227 848</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 781</b>	<b>\$ 3 824</b>
<b>ADVISOR SERIES</b>	<b>\$ 62</b>	<b>\$ 239</b>
<b>SERIES D</b>	<b>\$ 26 617</b>	<b>\$ 96 589</b>
<b>SERIES F</b>	<b>\$ 695</b>	<b>\$ 1 857</b>
<b>SERIES O</b>	<b>\$ 38 742</b>	<b>\$ 125 339</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 4.05</b>	<b>\$ 17.62</b>
<b>ADVISOR SERIES</b>	<b>\$ 4.46</b>	<b>\$ 17.92</b>
<b>SERIES D</b>	<b>\$ 5.28</b>	<b>\$ 18.26</b>
<b>SERIES F</b>	<b>\$ 5.93</b>	<b>\$ 19.08</b>
<b>SERIES O</b>	<b>\$ 6.31</b>	<b>\$ 19.09</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 66 897	\$ 227 848
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(1 466)	(1 742)
Net realized loss (gain) on investments	(68 404)	(31 179)
Change in unrealized loss (gain) on investments	24 823	(172 173)
(Increase) decrease in accrued receivables	(32)	159
Increase (decrease) in accrued payables	(6)	(10)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(938 450)	(1 556 345)
Proceeds from sale and maturity of investments	1 000 768	1 646 201
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>84 130</b>	<b>112 759</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	81 424	95 486
Cash paid on redemption of redeemable units	(152 551)	(202 210)
Distributions paid to holders of redeemable units	(12 982)	(5 462)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (84 109)</b>	<b>\$ (112 186)</b>
Net increase (decrease) in cash for the period	21	573
Cash (bank overdraft), beginning of period	1 022	449
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 1 043</b>	<b>\$ 1 022</b>
Interest received (paid)	\$ 79	\$ 93
Dividends received, net of withholding taxes	\$ 27 283	\$ 28 313

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 22 124</b>	<b>\$ 18 743</b>	<b>\$ 1 412</b>	<b>\$ 1 087</b>	<b>\$ 509 894</b>	<b>\$ 448 506</b>	<b>\$ 10 109</b>	<b>\$ 7 583</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>781</b>	<b>3 824</b>	<b>62</b>	<b>239</b>	<b>26 617</b>	<b>96 589</b>	<b>695</b>	<b>1 857</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	2 244	5 951	332	357	19 732	23 070	5 418	2 956
Reinvestments of distributions to holders of redeemable units	542	99	52	9	23 295	7 650	609	166
Redemption of redeemable units	(6 851)	(6 348)	(358)	(271)	(48 396)	(57 946)	(2 056)	(2 273)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(4 065)</b>	<b>(298)</b>	<b>26</b>	<b>95</b>	<b>(5 369)</b>	<b>(27 226)</b>	<b>3 971</b>	<b>849</b>
Distributions from net income	(112)	(145)	(9)	(9)	(7 442)	(7 975)	(236)	(180)
Distributions from net gains	(602)	—	(48)	—	(16 745)	—	(466)	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(714)</b>	<b>(145)</b>	<b>(57)</b>	<b>(9)</b>	<b>(24 187)</b>	<b>(7 975)</b>	<b>(702)</b>	<b>(180)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(3 998)</b>	<b>3 381</b>	<b>31</b>	<b>325</b>	<b>(2 939)</b>	<b>61 388</b>	<b>3 964</b>	<b>2 526</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 18 126</b>	<b>\$ 22 124</b>	<b>\$ 1 443</b>	<b>\$ 1 412</b>	<b>\$ 506 955</b>	<b>\$ 509 894</b>	<b>\$ 14 073</b>	<b>\$ 10 109</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 613 835</b>	<b>\$ 565 810</b>	<b>\$ 1 157 374</b>	<b>\$ 1 041 729</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>38 742</b>	<b>125 339</b>	<b>66 897</b>	<b>227 848</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	63 196	63 044	90 922	95 378
Reinvestments of distributions to holders of redeemable units	23 154	10 639	47 652	18 563
Redemption of redeemable units	(103 711)	(135 281)	(161 372)	(202 119)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(17 361)</b>	<b>(61 598)</b>	<b>(22 798)</b>	<b>(88 178)</b>
Distributions from net income	(14 763)	(15 716)	(22 562)	(24 025)
Distributions from net gains	(20 211)	—	(38 072)	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(34 974)</b>	<b>(15 716)</b>	<b>(60 634)</b>	<b>(24 025)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(13 593)</b>	<b>48 025</b>	<b>(16 535)</b>	<b>115 645</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 600 242</b>	<b>\$ 613 835</b>	<b>\$ 1 140 839</b>	<b>\$ 1 157 374</b>

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

December 31, 2017

### 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 5 in the generic notes)

#### Concentration risk (%)

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

	December 31 2017	December 31 2016
Investment mix		
Financials	37.2	38.1
Energy	22.7	23.2
Industrials	8.9	9.6
Consumer Discretionary	8.8	6.9
Materials	8.1	8.2
Information Technology	4.6	3.9
Consumer Staples	3.3	2.9
Real Estate	2.6	1.6
Utilities	1.5	2.6
Telecommunication Services	0.9	2.3
Cash/Other	1.4	0.7
Total	100.0	100.0

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

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

	December 31 2017	December 31 2016
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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	1 003 994	—	—	1 003 994
Mutual fund units	125 365	—	—	125 365
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	7 683	—	7 683
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	1 129 359	7 683	—	1 137 042
% of total portfolio	99.3	0.7	—	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

### Management fees and operating expenses (see note 8 in the generic notes)

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

	Management fees*	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.

December 31, 2017

**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 2017	December 31 2016
<b>Units held</b>		
Series A	8	7
Advisor Series	15	14
Series D	8	8
Series F	8	8
<b>Value of all units</b>	<b>4</b>	<b>4</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Small Float Fund	11.0	42.4	12.3	48.8

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series A</b>		
Opening units	218	222
Issued number of units	22	66
Reinvested number of units	5	1
Redeemed number of units	(67)	(71)
Ending number of units	178	218
<b>Advisor Series</b>		
Opening units	14	13
Issued number of units	3	4
Reinvested number of units	1	—
Redeemed number of units	(4)	(3)
Ending number of units	14	14

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

	2017	2016
<b>Series D</b>		
Opening units	5 171	5 480
Issued number of units	199	267
Reinvested number of units	237	77
Redeemed number of units	(486)	(653)
Ending number of units	5 121	5 171
<b>Series F</b>		
Opening units	100	91
Issued number of units	53	31
Reinvested number of units	6	2
Redeemed number of units	(20)	(24)
Ending number of units	139	100
<b>Series O</b>		
Opening units	6 261	6 956
Issued number of units	640	732
Reinvested number of units	237	108
Redeemed number of units	(1 035)	(1 535)
Ending number of units	6 103	6 261

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	549	100	788	100
Related-party brokerage commissions*	33	6	78	10
Commission arrangements <sup>†</sup>	26	5	39	5

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	30 205	—
Fair value of collateral received	30 809	—

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	7	100	—	—
RBC IS (paid)	(2)	(25)	—	—
Tax withheld	—	—	—	—
Fund revenue	5	75	—	—

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, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Consumer Discretionary</b>				
245 807	Cara Operations Ltd.	\$ 6 140	\$ 6 381	
98 732	Great Canadian Gaming Corp.	3 139	3 336	
503 809	Quebecor Inc., Class B	7 002	11 940	
130 632	Restaurant Brands International Inc.	7 235	10 094	
436 904	Shaw Communications Inc., Class B	10 346	12 535	
		33 862	44 286	<b>3.7</b>
<b>Consumer Staples</b>				
230 365	Alimentation Couche-Tard Inc.	10 587	15 110	
241 669	Loblaw Companies Ltd.	14 050	16 487	
270 957	Maple Leaf Foods Inc.	6 124	9 706	
190 062	Saputo Group Inc.	8 381	8 587	
		39 142	49 890	<b>4.2</b>
<b>Energy</b>				
445 701	ARC Resources Ltd.	11 657	6 574	
238 326	Cameco Corp.	2 723	2 767	
820 861	Canadian Natural Resources Ltd.	28 031	36 873	
236 252	Cenovus Energy Inc.	5 554	2 712	
530 285	Crescent Point Energy Corp.	11 103	5 080	
894 595	Crew Energy Inc.	6 303	2 819	
858 520	Enbridge Inc.	43 452	42 205	
201 706	Enbridge Inc., Restricted April 7, 2018	9 044	9 774	
813 189	Encana Corp.	11 971	13 637	
529 989	Husky Energy Inc.	11 674	9 407	
244 286	Imperial Oil Ltd.	11 689	9 583	
175 214	Keyera Corp.	6 979	6 206	
78 862	Parkland Fuel Corp.	2 184	2 117	
308 773	Pembina Pipeline Corp.	12 341	14 052	
381 643	PrairieSky Royalty Ltd.	11 267	12 235	
104 668	ShawCor Ltd.	4 116	2 870	
902 502	Suncor Energy Inc.	30 275	41 650	
528 492	TransCanada Corp.	27 033	32 333	
		247 396	252 894	<b>21.1</b>
<b>Financials</b>				
1 128 150	Acasta Enterprises Inc.	10 114	6 758	
417 189	Bank of Montreal	34 620	41 965	
722 561	Bank of Nova Scotia	44 460	58 614	
646 946	Brookfield Asset Management Inc., Class A	21 662	35 401	
240 726	Canadian Imperial Bank of Commerce	24 834	29 499	
783 695	ECN Capital Corp.	2 885	3 080	
512 761	Element Fleet Management Corp.	4 698	4 871	
24 518	Fairfax Financial Holdings Ltd.	14 554	16 411	
42 656	Intact Financial Corp.	3 241	4 478	
1 172 895	Manulife Financial Corporation	23 783	30 753	
136 257	National Bank of Canada	6 738	8 546	
95 916	Onex Corporation	5 511	8 842	
363 705	Power Corporation of Canada	10 840	11 773	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials (cont.)</b>				
824 497	Royal Bank of Canada*	\$ 58 786	\$ 84 635	
457 030	Sun Life Financial Inc.	20 777	23 711	
1 869 136	The Westaim Corp.	5 418	5 813	
163 393	Thomson Corp.	5 553	8 952	
1 009 733	Toronto-Dominion Bank	49 076	74 367	
		347 550	458 469	<b>38.2</b>
<b>Health Care</b>				
406 002	Chartwell Retirement Residences Real Estate Investment Trust	4 655	6 602	
		4 655	6 602	<b>0.6</b>
<b>Industrials</b>				
422 165	ATS Automation Tooling Systems	5 797	6 565	
1 046 632	Bombardier Inc., Class B	2 972	3 171	
179 789	Brookfield Business Partners LP	4 762	7 783	
369 010	Canadian National Railway Co.	21 527	38 248	
113 669	Canadian Pacific Railway Ltd.	21 130	26 105	
216 640	SNC-Lavalin Group Inc.	10 361	12 359	
228 174	Waste Connections Inc.	12 728	20 344	
		79 277	114 575	<b>9.6</b>
<b>Information Technology</b>				
267 816	BlackBerry Ltd.	3 422	3 760	
183 079	CGI Group Inc., Class A	10 396	12 504	
143 083	Open Text Corp.	5 428	6 397	
		19 246	22 661	<b>1.9</b>
<b>Materials</b>				
127 290	Agnico Eagle Mines Ltd.	6 746	7 388	
102 650	Agrium Inc.	12 458	14 841	
466 614	Barrick Gold Corp.	11 668	8 483	
98 825	CCL Industries, Class B	5 750	5 740	
208 868	Detour Gold Corp.	3 208	3 087	
423 630	First Quantum Minerals Ltd.	5 342	7 460	
38 688	Franco-Nevada Corp.	3 237	3 887	
514 360	Goldcorp Inc.	9 892	8 245	
297 474	Interfor Corp.	5 106	6 283	
401 270	Lundin Mining Corp.	2 949	3 355	
55 433	Methanex Corp.	3 155	4 222	
596 692	Potash Corporation of Saskatchewan Inc.	18 902	15 383	
450 528	Teck Resources Ltd., Class B	9 346	14 809	
		97 759	103 183	<b>8.6</b>
<b>Real Estate</b>				
143 262	Allied Properties Real Estate Investment Trust	5 118	6 028	
190 838	Brookfield Property Partners LP	3 745	5 315	
56 609	Colliers International Group Inc.	3 658	4 295	
139 076	Dream Office Real Estate Investment Trust	2 925	3 082	
282 525	First Capital Realty Inc.	5 352	5 854	
311 126	RioCan Real Estate Investment Trust	7 725	7 579	
272 774	Tricon Capital Group Inc.	3 064	3 151	
		31 587	35 304	<b>2.9</b>

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

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Telecommunication Services</b>				
374 037	BCE Inc.	\$ 19 404	\$ 22 584	
291 447	Rogers Communications Inc., Class B	16 753	18 667	
218 638	TELUS Corp.	6 533	10 412	
		42 690	51 663	<b>4.3</b>
<b>Utilities</b>				
110 922	Brookfield Infrastructure Partners LP	5 748	6 254	
116 696	Emera Inc.	5 377	5 482	
161 628	Fortis Inc.	6 388	7 453	
970 903	TransAlta Corp.	6 317	7 233	
		23 830	26 422	<b>2.2</b>
<b>TOTAL CANADIAN EQUITIES</b>		966 994	1 165 949	<b>97.3</b>
<b>SHORT-TERM INVESTMENTS†</b>		30 272	30 272	<b>2.5</b>
<b>TOTAL INVESTMENTS</b>		<u>\$ 997 266</u>	1 196 221	<b>99.8</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			2 811	<b>0.2</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<u>\$1 199 032</u>	<b>100.0</b>

\* Investment in related party (see note 8 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 0.95% to 1.38% and mature between January 2, 2018 and January 31, 2018.



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

(see note 2 in the generic notes)	December 31 2017	December 31 2016
<b>ASSETS</b>		
Investments at fair value	\$ 1 196 221	\$ 1 190 927
Cash	488	574
Due from investment dealers	—	11 963
Subscriptions receivable	648	404
Dividends receivable, interest accrued and other assets	2 823	2 435
<b>TOTAL ASSETS</b>	<b>1 200 180</b>	<b>1 206 303</b>
<b>LIABILITIES</b>		
Due to investment dealers	—	21 707
Redemptions payable	620	1 269
Distributions payable	(1)	—
Accounts payable and accrued expenses	529	551
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>1 148</b>	<b>23 527</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 1 199 032</b>	<b>\$ 1 182 776</b>
Investments at cost	\$ 997 266	\$ 999 470
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 13 309</b>	<b>\$ 15 014</b>
<b>ADVISOR SERIES</b>	<b>\$ 208 741</b>	<b>\$ 223 263</b>
<b>SERIES T5</b>	<b>\$ 1</b>	<b>\$ —</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES D</b>	<b>\$ 88 841</b>	<b>\$ 80 409</b>
<b>SERIES F</b>	<b>\$ 129 500</b>	<b>\$ 136 240</b>
<b>SERIES FT5</b>	<b>\$ 1</b>	<b>\$ —</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES O</b>	<b>\$ 758 639</b>	<b>\$ 727 850</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 14.40</b>	<b>\$ 13.96</b>
<b>ADVISOR SERIES</b>	<b>\$ 14.39</b>	<b>\$ 13.95</b>
<b>SERIES T5</b>	<b>\$ 14.46</b>	<b>\$ —</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES D</b>	<b>\$ 14.57</b>	<b>\$ 14.13</b>
<b>SERIES F</b>	<b>\$ 14.59</b>	<b>\$ 14.15</b>
<b>SERIES FT5</b>	<b>\$ 14.77</b>	<b>\$ —</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES O</b>	<b>\$ 14.46</b>	<b>\$ 14.02</b>

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

For the periods ended December 31 (see note 2 in the generic notes)	2017	2016
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 31 481	\$ 31 476
Interest for distribution purposes	444	434
Other income (loss)	422	468
Securities lending revenue (see note 7 in the generic notes)	5	—
Net realized gain (loss) on investments	69 496	24 055
Net gain (loss) on foreign currencies and other net assets	5	24
Change in unrealized gain (loss) on investments	7 498	168 688
<b>TOTAL INCOME (LOSS)</b>	<b>109 351</b>	<b>225 145</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	5 121	5 328
Administration fees	594	561
Independent Review Committee costs	3	2
GST/HST	549	570
Transaction costs	840	945
<b>TOTAL EXPENSES</b>	<b>7 107</b>	<b>7 406</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 102 244</b>	<b>\$ 217 739</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 953</b>	<b>\$ 2 113</b>
<b>ADVISOR SERIES</b>	<b>\$ 14 913</b>	<b>\$ 39 345</b>
<b>SERIES T5</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ 362</b>
<b>SERIES D</b>	<b>\$ 6 733</b>	<b>\$ 13 594</b>
<b>SERIES F</b>	<b>\$ 10 781</b>	<b>\$ 22 483</b>
<b>SERIES FT5</b>	<b>\$ —</b>	<b>\$ —</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ 713</b>
<b>SERIES O</b>	<b>\$ 68 864</b>	<b>\$ 139 129</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.98</b>	<b>\$ 2.34</b>
<b>ADVISOR SERIES</b>	<b>\$ 1.00</b>	<b>\$ 2.29</b>
<b>SERIES T5</b>	<b>\$ 1.09</b>	<b>\$ —</b>
<b>SERIES H</b>	<b>\$ —</b>	<b>\$ 0.98</b>
<b>SERIES D</b>	<b>\$ 1.16</b>	<b>\$ 2.46</b>
<b>SERIES F</b>	<b>\$ 1.20</b>	<b>\$ 2.56</b>
<b>SERIES FT5</b>	<b>\$ 1.16</b>	<b>\$ —</b>
<b>SERIES I</b>	<b>\$ —</b>	<b>\$ 1.05</b>
<b>SERIES O</b>	<b>\$ 1.31</b>	<b>\$ 2.61</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 102 244	\$ 217 739
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(68 706)	(23 178)
Change in unrealized loss (gain) on investments	(7 498)	(168 688)
(Increase) decrease in accrued receivables	(388)	192
Increase (decrease) in accrued payables	(22)	(7)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(1 184 927)	(1 468 542)
Proceeds from sale and maturity of investments	1 246 093	1 462 463
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>86 796</b>	<b>19 979</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	158 334	268 515
Cash paid on redemption of redeemable units	(229 072)	(281 721)
Distributions paid to holders of redeemable units	(16 144)	(6 302)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (86 882)</b>	<b>\$ (19 508)</b>
Net increase (decrease) in cash for the period	(86)	471
Cash (bank overdraft), beginning of period	574	103
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 488</b>	<b>\$ 574</b>
Interest received (paid)	\$ 446	\$ 436
Dividends received, net of withholding taxes	\$ 31 512	\$ 32 135

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 T5		Series H	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 15 014</b>	<b>\$ 9 252</b>	<b>\$ 223 263</b>	<b>\$ 216 457</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4 345</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>953</b>	<b>2 113</b>	<b>14 913</b>	<b>39 345</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>362</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 244	6 071	3 254	3 459	1	—	—	—
Reinvestments of distributions to holders of redeemable units	470	109	7 477	1 619	—	—	—	—
Redemption of redeemable units	(3 854)	(2 415)	(32 034)	(35 865)	—	—	—	(4 707)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(2 140)</b>	<b>3 765</b>	<b>(21 303)</b>	<b>(30 787)</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>(4 707)</b>
Distributions from net income	(85)	(116)	(1 332)	(1 752)	—	—	—	—
Distributions from net gains	(433)	—	(6 800)	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(518)</b>	<b>(116)</b>	<b>(8 132)</b>	<b>(1 752)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(1 705)</b>	<b>5 762</b>	<b>(14 522)</b>	<b>6 806</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>(4 345)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 13 309</b>	<b>\$ 15 014</b>	<b>\$ 208 741</b>	<b>\$ 223 263</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series D		Series F		Series FT5		Series I	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 80 409</b>	<b>\$ 64 665</b>	<b>\$ 136 240</b>	<b>\$ 91 336</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 7 739</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>6 733</b>	<b>13 594</b>	<b>10 781</b>	<b>22 483</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>713</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	11 857	12 555	27 988	53 340	1	—	—	987
Reinvestments of distributions to holders of redeemable units	3 911	1 207	1 554	673	—	—	—	—
Redemption of redeemable units	(9 903)	(10 323)	(40 394)	(28 998)	—	—	—	(9 439)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>5 865</b>	<b>3 439</b>	<b>(10 852)</b>	<b>25 015</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>(8 452)</b>
Distributions from net income	(1 311)	(1 289)	(2 325)	(2 594)	—	—	—	—
Distributions from net gains	(2 855)	—	(4 344)	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(4 166)</b>	<b>(1 289)</b>	<b>(6 669)</b>	<b>(2 594)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>8 432</b>	<b>15 744</b>	<b>(6 740)</b>	<b>44 904</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>(7 739)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 88 841</b>	<b>\$ 80 409</b>	<b>\$ 129 500</b>	<b>\$ 136 240</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

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

**Statements of Changes in NAV (cont.)** *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)	Series 0		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 727 850</b>	<b>\$ 591 951</b>	<b>\$ 1 182 776</b>	<b>\$ 985 745</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>68 864</b>	<b>139 129</b>	<b>102 244</b>	<b>217 739</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	<b>120 045</b>	191 744	<b>164 390</b>	268 156
Reinvestments of distributions to holders of redeemable units	<b>34 300</b>	14 790	<b>47 712</b>	18 398
Redemption of redeemable units	<b>(148 050)</b>	(190 815)	<b>(234 235)</b>	(282 562)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>6 295</b>	15 719	<b>(22 133)</b>	3 992
Distributions from net income	<b>(19 227)</b>	(18 949)	<b>(24 280)</b>	(24 700)
Distributions from net gains	<b>(25 143)</b>	—	<b>(39 575)</b>	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(44 370)</b>	(18 949)	<b>(63 855)</b>	(24 700)
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>30 789</b>	135 899	<b>16 256</b>	197 031
<b>NAV AT END OF PERIOD</b>	<b>\$ 758 639</b>	<b>\$ 727 850</b>	<b>\$ 1 199 032</b>	<b>\$ 1 182 776</b>

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

December 31, 2017

**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.

Series T5 and Series FT5 units were started August 28, 2017. 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 5 in the generic notes)****Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
Financials	38.2	38.4
Energy	21.1	21.6
Industrials	9.6	8.0
Materials	8.6	8.4
Telecommunication Services	4.3	3.2
Consumer Staples	4.2	4.1
Consumer Discretionary	3.7	4.2
Real Estate	2.9	2.1
Utilities	2.2	3.2
Information Technology	1.9	2.4
Health Care	0.6	0.5
Cash/Other	2.7	3.9
Total	100.0	100.0

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

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

	December 31 2017	December 31 2016
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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	1 156 175	9 774	—	1 165 949
Mutual fund units	—	—	—	—
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	30 272	—	30 272
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	1 156 175	40 046	—	1 196 221
% of total portfolio	96.7	3.3	—	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees*	Operating expenses
Series A	1.60%	0.10%
Advisor Series	1.60%	0.10%
Series T5	1.60%	0.10%
Series H	1.60%	0.10%
Series D	0.85%	0.10%
Series F	0.60%	0.10%
Series FT5	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%.

† 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, 2017

**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 2017	December 31 2016
<b>Units held</b>		
Series A	109	105
Advisor Series	115	111
Series T5	75	—
Series D	134	128
Series F	137	130
Series FT5	73	—
Series O	148	139
<b>Value of all units</b>	<b>11</b>	<b>9</b>

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

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
iShares S&P/TSX Global	—	—	0.7	1.2
Gold Index Fund	—	—	0.7	1.2

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series A</b>		
Opening units	1 076	787
Issued number of units	88	477
Reinvested number of units	33	8
Redeemed number of units	(272)	(196)
Ending number of units	925	1 076
<b>Advisor Series</b>		
Opening units	16 004	18 432
Issued number of units	229	274
Reinvested number of units	522	116
Redeemed number of units	(2 249)	(2 818)
Ending number of units	14 506	16 004

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

	2017	2016
<b>Series T5</b>		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
<b>Series H</b>		
Opening units	—	369
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	(369)
Ending number of units	—	—
<b>Series D</b>		
Opening units	5 691	5 437
Issued number of units	820	985
Reinvested number of units	270	85
Redeemed number of units	(685)	(816)
Ending number of units	6 096	5 691
<b>Series F</b>		
Opening units	9 630	7 667
Issued number of units	1 922	4 167
Reinvested number of units	107	47
Redeemed number of units	(2 781)	(2 251)
Ending number of units	8 878	9 630
<b>Series FT5</b>		
Opening units	—	—
Issued number of units	—	—
Reinvested number of units	—	—
Redeemed number of units	—	—
Ending number of units	—	—
<b>Series I</b>		
Opening units	—	652
Issued number of units	—	79
Reinvested number of units	—	—
Redeemed number of units	—	(731)
Ending number of units	—	—
<b>Series O</b>		
Opening units	51 899	50 166
Issued number of units	8 307	15 114
Reinvested number of units	2 384	1 052
Redeemed number of units	(10 111)	(14 433)
Ending number of units	52 479	51 899

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

December 31, 2017

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	840	100	945	100
Related-party brokerage commissions*	144	17	155	16
Commission arrangements†	43	5	85	9

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	35 758	—
Fair value of collateral received	36 473	—

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	7	100	—	—
RBC IS (paid)	(2)	(25)	—	—
Tax withheld	—	—	—	—
Fund revenue	5	75	—	—

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

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

	December 31 2017	December 31 2016
Phillips, Hager & North Canadian Equity Value Class	0.4	0.3
Phillips, Hager & North LifeTime 2020 Fund	—	—
Phillips, Hager & North LifeTime 2025 Fund	0.1	0.1
Phillips, Hager & North LifeTime 2030 Fund	0.2	0.2
Phillips, Hager & North LifeTime 2035 Fund	0.2	0.2
Phillips, Hager & North LifeTime 2040 Fund	0.3	0.2
Phillips, Hager & North LifeTime 2045 Fund	0.7	0.5
Phillips, Hager & North LifeTime 2050 Fund	0.2	0.1
RBC Retirement 2020 Portfolio	0.1	—

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

	December 31 2017	December 31 2016
RBC Retirement 2025 Portfolio	0.1	—
RBC Retirement 2030 Portfolio	0.1	—
RBC Retirement 2035 Portfolio	—	—
RBC Retirement 2040 Portfolio	—	—
RBC Retirement 2045 Portfolio	—	—
RBC Total Return Growth Fund	—	—
Total	2.4	1.6

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH**  
**CANADIAN EQUITY UNDERLYING FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Consumer Discretionary</b>				
390 623	Aritzia Inc.	\$ 6 097	\$ 4 957	
198 548	Cineplex Inc.	7 290	7 412	
328 106	Dollarama Inc.	17 989	51 529	
669 258	Gildan Activewear Inc., Class A	22 283	27 179	
198 300	goeasy Ltd.	4 112	7 367	
478 000	Great Canadian Gaming Corp.	7 067	16 152	
497 400	Leon's Furniture Ltd.	6 783	9 177	
1 788 112	Quebecor Inc., Class B	28 156	42 378	
225 231	Restaurant Brands International Inc.	9 714	17 404	
1 363 860	Shaw Communications Inc., Class B	38 086	39 129	
503 400	Sleep Country Canada Holdings Inc.	9 136	16 814	
		156 713	239 498	<b>8.9</b>
<b>Consumer Staples</b>				
962 623	Alimentation Couche-Tard Inc.	31 236	63 138	
531 000	Jamieson Wellness Inc.	8 554	11 863	
14 020	Lassonde Industries Inc.	3 393	3 526	
207 641	Maple Leaf Foods Inc.	3 006	7 438	
		46 189	85 965	<b>3.2</b>
<b>Energy</b>				
2 519 125	ARC Resources Ltd.	48 968	37 157	
525 514	Cameco Corp.	10 876	6 101	
1 296 335	Canadian Natural Resources Ltd.	46 214	58 231	
2 252 445	Cenovus Energy Inc.	42 705	25 858	
2 925 816	Enbridge Inc.	143 953	143 833	
2 517 400	Encana Corp.	36 406	42 217	
927 663	Keyera Corp.	34 701	32 858	
396 200	Pembina Pipeline Corp.	12 728	18 031	
3 418 400	Raging River Exploration Inc.	27 180	27 347	
1 067 600	Secure Energy Services Inc.	10 386	9 352	
1 817 400	Seven Generations Energy Ltd.	36 883	32 313	
974 946	Suncor Energy Inc.	36 629	44 994	
1 405 120	Tourmaline Oil Corp.	45 303	32 009	
1 195 372	TransCanada Corp.	69 445	73 133	
2 517 200	Whitecap Resources Inc.	22 070	22 529	
		624 447	605 963	<b>22.4</b>
<b>Financials</b>				
572 026	Bank of Montreal	47 581	57 540	
1 693 792	Bank of Nova Scotia	100 403	137 400	
1 928 815	Brookfield Asset Management Inc., Class A	59 447	105 545	
524 620	Canadian Imperial Bank of Commerce	54 794	64 287	
2 345 911	Element Fleet Management Corp.	26 235	22 286	
60 000	Fairfax Financial Holdings Ltd.	35 881	40 160	
229 200	Industrial Alliance Insurance & Financial Services Inc.	13 371	13 711	
223 349	Intact Financial Corp.	21 033	23 449	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials (cont.)</b>				
3 444 596	Manulife Financial Corporation	\$ 63 414	\$ 90 317	
1 844 226	Royal Bank of Canada*	117 673	189 310	
410 600	Sun Life Financial Inc.	17 116	21 302	
2 912 000	The Westaim Corp.	9 010	9 056	
530 514	Thomson Corp.	22 354	29 067	
2 763 352	Toronto-Dominion Bank	122 321	203 521	
		710 633	1 006 951	<b>37.3</b>
<b>Industrials</b>				
649 859	Badger Daylighting Ltd.	13 739	17 663	
189 850	Boyd Group Income Fund	8 264	19 154	
665 104	Canadian National Railway Co.	35 260	68 938	
144 100	Canadian Pacific Railway Ltd.	28 286	33 094	
348 331	Richelieu Hardware Ltd.	4 668	11 944	
237 593	Ritchie Bros. Auctioneers Inc.	7 887	8 943	
851 200	Stantec Inc.	26 910	29 928	
125 095	Toromont Industries Ltd.	2 814	6 893	
529 950	Waste Connections Inc.	34 437	47 250	
		162 265	243 807	<b>9.0</b>
<b>Information Technology</b>				
1 612 735	Blackline Safety Corp.	4 850	7 257	
709 568	CGI Group Inc., Class A	31 601	48 463	
20 700	Constellation Software Inc.	11 265	15 774	
199 500	Kinaxis Inc.	5 623	15 320	
903 966	Open Text Corp.	32 093	40 416	
		85 432	127 230	<b>4.7</b>
<b>Materials</b>				
327 096	Agnico Eagle Mines Ltd.	12 248	18 985	
193 771	Agrium Inc.	18 294	28 015	
413 872	Alamos Gold Inc., Class A	3 539	3 390	
1 939 853	B2Gold Corp.	7 472	7 527	
649 295	Barrick Gold Corp.	13 728	11 804	
1 238 000	Belo Sun Mining Corp.	1 052	489	
424 960	CCL Industries, Class B	11 373	24 682	
402 289	Continental Gold Inc.	1 749	1 360	
268 567	Detour Gold Corp.	3 847	3 969	
206 292	Endeavour Mining Corp.	4 016	5 287	
1 687 591	First Quantum Minerals Ltd.	22 335	29 718	
138 014	Franco-Nevada Corp.	9 767	13 865	
484 732	Goldcorp Inc.	11 333	7 770	
217 448	IAMGOLD Corporation	1 521	1 594	
429 900	Kinross Gold Corp.	2 300	2 330	
400 900	Kirkland Lake Gold Ltd.	5 063	7 725	
561 241	Mountain Province Diamonds Inc.	2 839	1 914	
841 403	OceanaGold Corp.	3 537	2 718	
364 720	Semafo Inc.	1 424	1 302	
148 428	Stella-Jones Inc.	4 415	7 496	
568 200	Teck Resources Ltd., Class B	16 549	18 677	
277 443	Torex Gold Resources Inc.	4 766	3 310	
1 008 164	Turquoise Hill Resources Ltd.	4 794	4 325	
338 521	Wheaton Precious Metals Corp.	9 133	9 407	
		177 094	217 659	<b>8.1</b>

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



**PHILLIPS, HAGER & NORTH**  
**CANADIAN EQUITY UNDERLYING FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Real Estate</b>				
945 600	Brookfield Property Partners LP	\$ 26 731	\$ 26 335	
992 100	First Capital Realty Inc.	19 854	20 556	
95 964	FirstService Corp.	2 874	8 438	
168 800	Mainstreet Equity Corp.	6 215	7 369	
574 906	Tricon Capital Group Inc.	5 845	6 640	
		<u>61 519</u>	<u>69 338</u>	<b>2.6</b>
<b>Telecommunication Services</b>				
173 843	Rogers Communications Inc., Class B	7 489	11 135	
298 340	TELUS Corp.	10 042	14 207	
		<u>17 531</u>	<u>25 342</u>	<b>0.9</b>
<b>Utilities</b>				
444 600	Brookfield Infrastructure Partners LP	17 418	25 067	
325 000	Fortis Inc.	13 276	14 986	
		<u>30 694</u>	<u>40 053</u>	<b>1.5</b>
<b>TOTAL CANADIAN EQUITIES</b>		<u>2 072 517</u>	<u>2 661 806</u>	<b>98.6</b>
<b>SHORT-TERM INVESTMENTS<sup>†</sup></b>		<u>29 032</u>	<u>29 032</u>	<b>1.1</b>
<b>TOTAL INVESTMENTS</b>		<u>\$2 101 549</u>	<u>2 690 838</u>	<b>99.7</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<u>8 228</u>	<b>0.3</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<u>\$2 699 066</u>	<b>100.0</b>

\* Investment in related party (see note 8 in the generic notes).

<sup>†</sup> Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.95% to 1.34% and mature between January 2, 2018 and January 26, 2018.

**PHILLIPS, HAGER & NORTH**  
**CANADIAN EQUITY UNDERLYING FUND**
**Statements of Financial Position**
*(in \$000s except per unit amounts)*

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 2 690 838	\$ 2 498 536
Cash	2 191	2 089
Due from investment dealers	1 736	4 198
Subscriptions receivable	39	35
Dividends receivable, interest accrued and other assets	4 979	4 449
<b>TOTAL ASSETS</b>	<b>2 699 783</b>	<b>2 509 307</b>
<b>LIABILITIES</b>		
Due to investment dealers	612	1 402
Redemptions payable	55	—
Distributions payable	1	1
Accounts payable and accrued expenses	49	48
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>717</b>	<b>1 451</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 2 699 066</b>	<b>\$ 2 507 856</b>
Investments at cost	\$ 2 101 549	\$ 1 985 687
<b>NAV SERIES 0</b>	<b>\$ 2 699 066</b>	<b>\$ 2 507 856</b>
<b>NAV PER UNIT SERIES 0</b>	<b>\$ 12.13</b>	<b>\$ 11.76</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 64 155	\$ 67 227
Interest for distribution purposes	285	308
Other income (loss)	282	180
Securities lending revenue (see note 7 in the generic notes)	1 195	1 404
Net realized gain (loss) on investments	25 803	62 146
Net gain (loss) on foreign currencies and other net assets	39	93
Change in unrealized gain (loss) on investments	76 440	396 227
<b>TOTAL INCOME (LOSS)</b>	<b>168 199</b>	<b>527 585</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Administration fees	509	485
Independent Review Committee costs	3	2
GST/HST	52	50
Transaction costs	1 432	2 084
<b>TOTAL EXPENSES</b>	<b>1 996</b>	<b>2 621</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 166 203</b>	<b>\$ 524 964</b>
<b>INCREASE (DECREASE) IN NAV SERIES 0</b>	<b>\$ 166 203</b>	<b>\$ 524 964</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT SERIES 0</b>	<b>\$ 0.78</b>	<b>\$ 2.37</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 166 203	\$ 524 964
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(24 458)	(59 770)
Change in unrealized loss (gain) on investments	(76 440)	(396 227)
(Increase) decrease in accrued receivables	(530)	723
Increase (decrease) in accrued payables	1	3
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(2 334 179)	(3 823 940)
Proceeds from sale and maturity of investments	2 244 447	4 162 072
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(24 956)</b>	<b>407 825</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	67 161	64 279
Cash paid on redemption of redeemable units	(42 102)	(470 719)
Distributions paid to holders of redeemable units	(1)	—
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 25 058</b>	<b>\$ (406 440)</b>
Net increase (decrease) in cash for the period	102	1 385
Cash (bank overdraft), beginning of period	2 089	704
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 2 191</b>	<b>\$ 2 089</b>
Interest received (paid)	\$ 281	\$ 305
Dividends received, net of withholding taxes	\$ 63 911	\$ 68 133

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 0	
	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 2 507 856</b>	<b>\$ 2 387 979</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>166 203</b>	<b>524 964</b>
Early redemption fees	—	—
Proceeds from redeemable units issued	<b>67 165</b>	64 123
Reinvestments of distributions to holders of redeemable units	<b>87 506</b>	125 756
Redemption of redeemable units	<b>(42 157)</b>	(469 214)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>112 514</b>	(279 335)
Distributions from net income	<b>(65 334)</b>	(70 065)
Distributions from net gains	<b>(22 173)</b>	(55 687)
Distributions from capital	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(87 507)</b>	(125 752)
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>191 210</b>	119 877
<b>NAV AT END OF PERIOD</b>	<b>\$ 2 699 066</b>	<b>\$ 2 507 856</b>

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

**PHILLIPS, HAGER & NORTH**  
**CANADIAN EQUITY UNDERLYING FUND**

December 31, 2017

**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 5 in the generic notes)**
**Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
Financials	37.3	38.0
Energy	22.4	22.8
Industrials	9.0	9.4
Consumer Discretionary	8.9	6.8
Materials	8.1	8.2
Information Technology	4.7	3.9
Consumer Staples	3.2	2.9
Real Estate	2.6	1.6
Utilities	1.5	2.6
Telecommunication Services	0.9	2.3
Cash/Other	1.4	1.5
Total	100.0	100.0

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

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

	December 31 2017	December 31 2016
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.

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

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

The following is a summary of the inputs used as of December 31, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	2 661 806	—	—	2 661 806
Mutual fund units	—	—	—	—
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	29 032	—	29 032
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	2 661 806	29 032	—	2 690 838
% of total portfolio	98.9	1.1	—	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	Operating expenses
Series 0	n/a*	0.02%

\* Series 0 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 2017	December 31 2016
Units held		
Series 0	58	56
Value of all units	1	1

**PHILLIPS, HAGER & NORTH**  
**CANADIAN EQUITY UNDERLYING FUND**

December 31, 2017

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series 0</b>		
Opening units	213 190	238 883
Issued number of units	5 610	6 563
Reinvested number of units	7 213	10 690
Redeemed number of units	(3 537)	(42 946)
Ending number of units	222 476	213 190

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	1 432	100	2 084	100
Related-party brokerage commissions*	78	5	194	9
Commission arrangements†	66	5	129	6

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	102 410	227 773
Fair value of collateral received	104 459	232 328

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	1 820	100	2 494	100
RBC IS (paid)	(532)	(29)	(873)	(35)
Tax withheld	(93)	(5)	(217)	(9)
Fund revenue	1 195	66	1 404	56

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

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

	December 31 2017	December 31 2016
Phillips, Hager & North Balanced Fund	11.1	10.7
Phillips, Hager & North Balanced Pension Trust	14.7	14.9
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	0.3	0.2
Phillips, Hager & North LifeTime 2050 Fund	0.1	—
RBC Retirement 2020 Portfolio	—	—
RBC Retirement 2025 Portfolio	—	—
RBC Retirement 2030 Portfolio	0.1	—
RBC Retirement 2035 Portfolio	0.1	—
RBC Retirement 2040 Portfolio	—	—
RBC Retirement 2045 Portfolio	—	—
RBC Retirement 2050 Portfolio	—	—
RBC Select Aggressive Growth Portfolio	3.5	3.5
RBC Select Balanced Portfolio	32.8	33.1
RBC Select Conservative Portfolio	16.0	16.2
RBC Select Growth Portfolio	16.2	16.3
RBC Select Very Conservative Portfolio	4.4	4.5
<b>Total</b>	<b>99.8</b>	<b>99.9</b>

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, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Consumer Discretionary</b>				
184 900	Dollarama Inc.	\$ 18 946	\$ 29 039	
415 900	Gildan Activewear Inc., Class A	16 104	16 890	
1 459 300	Quebecor Inc., Class B	26 835	34 585	
129 000	Restaurant Brands International Inc.	8 924	9 968	
1 143 700	Shaw Communications Inc., Class B	32 050	32 813	
		102 859	123 295	<b>7.3</b>
<b>Consumer Staples</b>				
654 300	Alimentation Couche-Tard Inc.	38 815	42 916	
		38 815	42 916	<b>2.6</b>
<b>Energy</b>				
1 518 223	ARC Resources Ltd.	26 214	22 395	
311 200	Cameco Corp.	3 904	3 614	
712 313	Canadian Natural Resources Ltd.	28 424	31 998	
1 575 089	Cenovus Energy Inc.	25 259	18 082	
1 783 200	Enbridge Inc.	91 888	87 662	
1 947 200	Encana Corp.	28 498	32 655	
981 824	Keyera Corp.	36 413	34 776	
2 600 907	Raging River Exploration Inc.	19 659	20 807	
1 465 600	Seven Generations Energy Ltd.	32 815	26 058	
720 300	Suncor Energy Inc.	32 178	33 242	
912 899	Tourmaline Oil Corp.	28 340	20 796	
755 674	TransCanada Corp.	46 865	46 232	
2 198 900	Whitecap Resources Inc.	19 384	19 680	
		419 841	397 997	<b>23.7</b>
<b>Financials</b>				
397 700	Bank of Montreal	36 977	40 005	
1 054 200	Bank of Nova Scotia	77 212	85 517	
1 189 800	Brookfield Asset Management Inc., Class A	53 527	65 106	
313 500	Canadian Imperial Bank of Commerce	32 607	38 416	
1 767 200	Element Fleet Management Corp.	20 727	16 788	
50 000	Fairfax Financial Holdings Ltd.	29 066	33 467	
136 500	Industrial Alliance Insurance & Financial Services Inc.	7 962	8 165	
165 420	Intact Financial Corp.	16 145	17 367	
2 001 800	Manulife Financial Corporation	43 256	52 487	
1 125 900	Royal Bank of Canada*	90 944	115 574	
315 800	Sun Life Financial Inc.	14 205	16 384	
463 300	Thomson Corp.	27 036	25 384	
1 674 300	Toronto-Dominion Bank	97 044	123 312	
		546 708	637 972	<b>38.0</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Industrials</b>				
387 800	Canadian National Railway Co.	\$ 38 468	\$ 40 195	
156 300	Canadian Pacific Railway Ltd.	32 525	35 896	
1 065 993	Stantec Inc.	34 988	37 480	
356 500	Waste Connections Inc.	24 671	31 786	
		130 652	145 357	<b>8.7</b>
<b>Information Technology</b>				
505 900	CGI Group Inc., Class A	31 602	34 553	
15 400	Constellation Software Inc.	9 804	11 735	
695 310	Open Text Corp.	28 987	31 087	
		70 393	77 375	<b>4.6</b>
<b>Materials</b>				
204 370	Agnico Eagle Mines Ltd.	8 459	11 862	
142 600	Agrium Inc.	18 105	20 617	
259 479	Alamos Gold Inc., Class A	2 219	2 125	
1 224 800	B2Gold Corp.	4 537	4 752	
416 480	Barrick Gold Corp.	8 562	7 572	
721 510	Belo Sun Mining Corp.	598	285	
407 000	CCL Industries, Class B	21 391	23 639	
251 240	Continental Gold Inc.	688	849	
169 640	Detour Gold Corp.	2 669	2 507	
130 303	Endeavour Mining Corp.	2 573	3 340	
993 644	First Quantum Minerals Ltd.	14 281	17 498	
85 680	Franco-Nevada Corp.	6 865	8 607	
304 740	Goldcorp Inc.	6 051	4 885	
137 535	IAMGOLD Corporation	966	1 008	
335 930	Kinross Gold Corp.	1 848	1 821	
249 710	Kirkland Lake Gold Ltd.	3 143	4 812	
336 556	Mountain Province Diamonds Inc.	1 480	1 148	
525 490	OceanaGold Corp.	2 215	1 697	
230 370	Semafo Inc.	836	822	
411 892	Teck Resources Ltd., Class B	11 561	13 539	
172 527	Torex Gold Resources Inc.	2 750	2 058	
1 277 500	Turquoise Hill Resources Ltd.	5 513	5 480	
210 380	Wheaton Precious Metals Corp.	5 418	5 846	
		132 728	146 769	<b>8.8</b>
<b>Real Estate</b>				
535 900	Brookfield Property Partners LP	15 520	14 925	
329 600	Canadian Real Estate Investment Trust	15 200	15 260	
914 800	First Capital Realty Inc.	18 455	18 955	
		49 175	49 140	<b>2.9</b>
<b>Telecommunication Services</b>				
127 500	Rogers Communications Inc., Class B	6 583	8 166	
		6 583	8 166	<b>0.5</b>

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

**PHILLIPS, HAGER & NORTH**  
**CANADIAN EQUITY UNDERLYING FUND II**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Utilities</b>				
282 753	Brookfield Infrastructure Partners LP	\$ 12 336	\$ 15 942	
159 900	Fortis Inc.	6 730	7 373	
		19 066	23 315	<b>1.4</b>
<b>TOTAL CANADIAN EQUITIES</b>		1 516 820	1 652 302	<b>98.5</b>
<b>SHORT-TERM INVESTMENTS†</b>		17 974	17 974	<b>1.1</b>
<b>TOTAL INVESTMENTS</b>		<u>\$1 534 794</u>	1 670 276	<b>99.6</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO</b>				
<b>HOLDERS OF REDEEMABLE UNITS</b>			6 233	<b>0.4</b>
<b>NET ASSETS ATTRIBUTABLE TO</b>				
<b>HOLDERS OF REDEEMABLE UNITS</b>			<u>\$1 676 509</u>	<b>100.0</b>

\* Investment in related party (see note 8 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 0.95% to 1.30% and mature between January 2, 2018 and January 17, 2018.



**PHILLIPS, HAGER & NORTH**  
**CANADIAN EQUITY UNDERLYING FUND II**
**Statements of Financial Position**
*(in \$000s except per unit amounts)*

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 1 670 276	\$ 1 332 731
Cash	1 323	1 486
Due from investment dealers	1 226	4 558
Subscriptions receivable	1 083	–
Dividends receivable, interest accrued and other assets	3 093	2 304
<b>TOTAL ASSETS</b>	<b>1 677 001</b>	<b>1 341 079</b>
<b>LIABILITIES</b>		
Due to investment dealers	365	1 126
Redemptions payable	94	–
Accounts payable and accrued expenses	33	25
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>492</b>	<b>1 151</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 1 676 509</b>	<b>\$ 1 339 928</b>
Investments at cost	\$ 1 534 794	\$ 1 202 812
<b>NAV</b>		
<b>SERIES O</b>	<b>\$ 1 676 509</b>	<b>\$ 1 339 928</b>
<b>NAV PER UNIT</b>		
<b>SERIES O</b>	<b>\$ 9.73</b>	<b>\$ 9.70</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 37 002	\$ 41 193
Interest for distribution purposes	163	224
Other income (loss)	216	563
Securities lending revenue (see note 7 in the generic notes)	127	138
Net realized gain (loss) on investments	41 532	56 634
Net gain (loss) on foreign currencies and other net assets	21	68
Change in unrealized gain (loss) on investments	5 563	220 348
<b>TOTAL INCOME (LOSS)</b>	<b>84 624</b>	<b>319 168</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Administration fees	299	288
Independent Review Committee costs	3	2
GST/HST	30	30
Transaction costs	2 068	5 368
<b>TOTAL EXPENSES</b>	<b>2 400</b>	<b>5 688</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 82 224</b>	<b>\$ 313 480</b>
<b>INCREASE (DECREASE) IN NAV SERIES O</b>	<b>\$ 82 224</b>	<b>\$ 313 480</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT SERIES O</b>	<b>\$ 0.54</b>	<b>\$ 2.02</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 82 224	\$ 313 480
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(39 679)	(50 969)
Change in unrealized loss (gain) on investments	(5 563)	(220 348)
(Increase) decrease in accrued receivables	(789)	1 204
Increase (decrease) in accrued payables	8	(1)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(3 000 959)	(5 074 114)
Proceeds from sale and maturity of investments	2 711 227	5 404 511
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(253 531)</b>	<b>373 763</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	293 921	243 250
Cash paid on redemption of redeemable units	(40 550)	(616 000)
Distributions paid to holders of redeemable units	(3)	—
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 253 368</b>	<b>\$ (372 750)</b>
Net increase (decrease) in cash for the period	(163)	1 013
Cash (bank overdraft), beginning of period	1 486	473
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 1 323</b>	<b>\$ 1 486</b>
Interest received (paid)	\$ 163	\$ 220
Dividends received, net of withholding taxes	\$ 36 429	\$ 42 964

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 0	
	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 1 339 928</b>	<b>\$ 1 399 198</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>82 224</b>	<b>313 480</b>
Early redemption fees	—	—
Proceeds from redeemable units issued	<b>295 004</b>	243 250
Reinvestments of distributions to holders of redeemable units	<b>73 022</b>	98 921
Redemption of redeemable units	<b>(40 644)</b>	(616 000)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>327 382</b>	<b>(273 829)</b>
Distributions from net income	<b>(34 539)</b>	(43 510)
Distributions from net gains	<b>(38 486)</b>	(55 411)
Distributions from capital	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(73 025)</b>	<b>(98 921)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>336 581</b>	<b>(59 270)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 1 676 509</b>	<b>\$ 1 339 928</b>

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

**PHILLIPS, HAGER & NORTH**  
**CANADIAN EQUITY UNDERLYING FUND II**

December 31, 2017

**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 5 in the generic notes)**
**Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
Financials	38.0	35.6
Energy	23.7	23.0
Materials	8.8	8.8
Industrials	8.7	7.7
Consumer Discretionary	7.3	5.5
Information Technology	4.6	4.2
Real Estate	2.9	3.3
Consumer Staples	2.6	3.2
Utilities	1.4	4.2
Telecommunication Services	0.5	1.9
Cash/Other	1.5	2.6
Total	100.0	100.0

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

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's NAV, using a 36-month (December 31, 2016 – 29-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2017	December 31 2016
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.

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

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

The following is a summary of the inputs used as of December 31, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	1 652 301	–	–	1 652 301
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	17 975	–	17 975
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	1 652 301	17 975	–	1 670 276
% of total portfolio	98.9	1.1	–	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	Operating expenses
Series 0	n/a*	0.02%

\* Series 0 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 2017	December 31 2016
Units held		
Series 0	105	16 959
Value of all units	1	164

**PHILLIPS, HAGER & NORTH**  
**CANADIAN EQUITY UNDERLYING FUND II**

December 31, 2017

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series 0</b>		
Opening units	138 170	164 149
Issued number of units	30 745	29 830
Reinvested number of units	7 557	10 200
Redeemed number of units	(4 187)	(66 009)
Ending number of units	172 285	138 170

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	2 068	100	5 368	100
Related-party brokerage commissions*	129	6	418	8
Commission arrangements†	217	10	555	10

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	64 873	143 684
Fair value of collateral received	66 171	146 558

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	196	100	240	100
RBC IS (paid)	(55)	(28)	(84)	(35)
Tax withheld	(14)	(7)	(18)	(8)
Fund revenue	127	65	138	57

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

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

	December 31 2017	December 31 2016
RBC Select Aggressive Growth Portfolio	2.6	1.8
RBC Select Balanced Portfolio	44.0	49.2
RBC Select Conservative Portfolio	26.1	30.8
RBC Select Growth Portfolio	4.7	5.3
RBC Select Very Conservative Portfolio	10.8	12.8
Total	88.2	99.9

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH CANADIAN GROWTH FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>EQUITIES</b>				
<b>CANADIAN EQUITIES</b>				
<b>Consumer Discretionary</b>				
206 300	Aritzia Inc.	\$ 3 333	\$ 2 618	
27 200	Canadian Tire Corp. Ltd., Class A	2 508	4 458	
84 000	Cara Operations Ltd.	1 958	2 181	
93 000	EnerCare Inc.	1 571	1 907	
156 700	Magna International Inc., Class A	5 200	11 163	
55 200	Restaurant Brands International Inc.	2 796	4 265	
128 100	Shaw Communications Inc., Class B	2 909	3 675	
49 000	Spin Master Corp.	894	2 647	
100 000	The Stars Group Inc	2 584	2 925	
993 327	Zungui Haixi Corp.	2 722	—	
		26 475	35 839	<b>5.5</b>
<b>Consumer Staples</b>				
125 700	Alimentation Couche-Tard Inc.	4 921	8 245	
359 100	Clearwater Seafoods Inc.	3 930	2 632	
204 700	Cott Corporation	2 932	4 295	
142 000	Jamieson Wellness Inc.	2 237	3 172	
103 330	Loblaw Companies Ltd.	5 778	7 049	
555 556	Sustainable Produce Urban Delivery Inc.* (Private)	1 000	1 667	
		20 798	27 060	<b>4.1</b>
<b>Energy</b>				
96 300	ARC Resources Ltd.	2 229	1 420	
166 200	Cameco Corp.	3 136	1 930	
348 600	Canadian Natural Resources Ltd.	12 188	15 660	
829 533	Cardinal Energy Ltd.	5 996	4 223	
467 000	Cenovus Energy Inc.	8 608	5 362	
193 263	Crescent Point Energy Corp.	4 701	1 852	
422 159	Enbridge Inc.	18 873	20 753	
135 000	Enbridge Income Fund Holdings Inc.	3 860	4 024	
1 198 300	Gear Energy Ltd.	2 446	1 019	
550 000	Kelt Exploration Ltd.	3 137	3 955	
800 700	Painted Pony Energy Ltd.	4 317	2 138	
41 000	Parkland Fuel Corp.	1 136	1 101	
133 700	Pembina Pipeline Corp.	4 411	6 085	
595 000	Raging River Exploration Inc.	3 820	4 760	
283 600	Secure Energy Services Inc.	3 204	2 484	
673 775	Spartan Energy Corp.	5 550	4 844	
514 800	Suncor Energy Inc.	19 239	23 758	
165 300	Tourmaline Oil Corp.	5 412	3 766	
267 500	TransCanada Corp.	11 498	16 366	
915 810	Trican Well Service Ltd.	3 565	3 737	
60 900	Vermilion Energy Inc.	3 149	2 782	
808 400	Western Energy Services Corp.	2 903	1 019	
367 800	Whitecap Resources Inc.	3 467	3 292	
		136 845	136 330	<b>20.9</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials</b>				
165 800	Alaris Royalty Corp.	\$ 4 362	\$ 3 427	
202 500	Bank of Montreal	12 899	20 369	
400 900	Bank of Nova Scotia	22 048	32 521	
249 950	Brookfield Asset Management Inc., Class A	6 202	13 677	
139 000	Canadian Imperial Bank of Commerce	11 004	17 033	
140 000	Element Fleet Management Corp.	1 197	1 330	
5 300	Fairfax Financial Holdings Ltd.	3 447	3 548	
51 700	Intact Financial Corp.	3 471	5 428	
569 300	Manulife Financial Corporation	10 253	14 927	
287 900	Power Corporation of Canada	7 569	9 319	
462 900	Royal Bank of Canada <sup>†</sup>	25 777	47 517	
156 400	Sun Life Financial Inc.	5 145	8 114	
98 600	Thomson Corp.	4 299	5 402	
552 400	Toronto-Dominion Bank	20 932	40 684	
		138 605	223 296	<b>34.2</b>
<b>Health Care</b>				
1 128 500	Prometic Life Sciences Inc.	2 647	1 467	
65 500	Valeant Pharmaceuticals International Inc.	5 664	1 716	
		8 311	3 183	<b>0.5</b>
<b>Industrials</b>				
127 000	Air Canada	1 404	3 287	
298 300	Canadian National Railway Co.	14 220	30 919	
37 500	Canadian Pacific Railway Ltd.	7 139	8 612	
43 400	SNC-Lavalin Group Inc.	2 244	2 476	
64 400	Stantec Inc.	1 959	2 264	
84 752	Waste Connections Inc.	5 093	7 556	
		32 059	55 114	<b>8.4</b>
<b>Information Technology</b>				
150 100	BlackBerry Ltd.	1 851	2 107	
150 000	Celestica Inc.	2 207	1 977	
101 000	CGI Group Inc., Class A	4 342	6 898	
500 000	Hive Blockchain Technologies Ltd., Restricted April 30, 2018	1 575	2 095	
94 900	Open Text Corp.	3 312	4 243	
25 900	Shopify Inc., Class A	1 936	3 292	
3 550 000	UrtheCast Corp.	4 907	3 976	
		20 130	24 588	<b>3.8</b>
<b>Materials</b>				
104 500	Agnico Eagle Mines Ltd.	4 778	6 065	
40 800	Agrium Inc.	3 487	5 899	
341 200	Centerra Gold Inc.	2 500	2 197	
150 000	Cobalt 27 Capital Corp.	1 575	1 845	
201 700	Detour Gold Corp.	3 096	2 981	
36 100	Franco-Nevada Corp.	2 597	3 627	
293 200	Goldcorp Inc.	9 237	4 700	
90 600	Interfor Corp.	985	1 913	
5 266 700	Jaguar Mining Inc.	1 514	1 817	
310 500	Lundin Mining Corp.	1 568	2 596	

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

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Materials (cont.)</b>				
214 428	Neo Performance Materials Inc. \$	3 860	\$ 3 838	
786 100	OceanaGold Corp.	2 300	2 539	
294 300	Potash Corporation of Saskatchewan Inc.	10 978	7 587	
340 700	Tahoe Resources Inc.	4 964	2 054	
137 900	Teck Resources Ltd., Class B	4 234	4 533	
130 030	Torex Gold Resources Inc.	2 423	1 551	
180 400	Wheaton Precious Metals Corp.	4 647	5 013	
746 300	Yamana Gold Inc.	3 324	2 925	
		68 067	63 680	9.7
<b>Real Estate</b>				
260 000	Automotive Properties Real Estate Investment Trust	2 583	2 837	
160 000	Brookfield Property Partners LP	3 995	4 456	
57 665	Canadian Real Estate Investment Trust	1 966	2 670	
279 900	Mainstreet Health Investments Inc.	3 621	2 945	
500 000	Pure Industrial Real Estate Investment Trust	3 182	3 385	
780 000	StorageVault Canada Inc.	663	2 051	
290 000	Tricon Capital Group Inc.	3 031	3 350	
		19 041	21 694	3.3
<b>Telecommunication Services</b>				
219 600	BCE Inc.	9 081	13 259	
107 800	Rogers Communications Inc., Class B	3 691	6 905	
		12 772	20 164	3.1
<b>Utilities</b>				
264 300	Algonquin Power & Utilities Corp.	2 954	3 716	
149 400	Boralex Inc., Class A	2 549	3 511	
80 000	Brookfield Infrastructure Partners LP	4 100	4 510	
53 300	Canadian Utilities Ltd., Class A	1 914	1 994	
224 900	Superior Plus Corp.	1 877	2 670	
225 000	TransAlta Renewables Inc.	3 274	3 013	
		16 668	19 414	3.0
<b>TOTAL CANADIAN EQUITIES</b>		499 771	630 362	96.5
<b>UNITED KINGDOM EQUITIES</b>				
<b>Consumer Discretionary</b>				
254 100	Jackpotjoy Plc.	3 169	3 571	
<b>TOTAL UNITED KINGDOM EQUITIES</b>		3 169	3 571	0.6
<b>TOTAL EQUITIES</b>		502 940	633 933	97.1
<b>SHORT-TERM INVESTMENTS<sup>‡</sup></b>		17 128	17 128	2.6
<b>TOTAL INVESTMENTS</b>		520 068	651 061	99.7
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				
		–	1	–
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				
		–	(7)	–
<b>TOTAL PORTFOLIO</b>		\$ 520 068	651 055	99.7
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			2 116	0.3
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
		\$ 653 171		100.0

**SCHEDULE A****Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 504 Sold USD 401 @ 1.2565	11-Jan-2018	\$ –
Bought CAD 51 Sold USD 40 @ 1.2769	11-Jan-2018	1
Bought USD 25 Sold CAD 32 @ 0.7861	11-Jan-2018	–
		\$ 1

Contracts	Maturity Date	Unrealized Loss
Bought CAD 1 034 Sold USD 828 @ 1.2490	11-Jan-2018	\$ (7)
		\$ (6)

**TOTAL FOREIGN EXCHANGE**

All counterparties have a credit rating of at least A.

\* Illiquid security.

† Investment in related party (see note 8 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 0.95% to 1.37% and mature between January 2, 2018 and January 30, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 651 061	\$ 574 997
Cash	748	325
Subscriptions receivable	111	292
Unrealized gain on foreign exchange contracts	1	3
Dividends receivable, interest accrued and other assets	1 424	1 222
<b>TOTAL ASSETS</b>	<b>653 345</b>	<b>576 839</b>
<b>LIABILITIES</b>		
Due to investment dealers	–	40
Redemptions payable	40	419
Unrealized loss on foreign exchange contracts	7	13
Accounts payable and accrued expenses	127	124
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>174</b>	<b>596</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 653 171</b>	<b>\$ 576 243</b>
Investments at cost	\$ 520 068	\$ 463 874
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 2 324</b>	<b>\$ 2 205</b>
<b>ADVISOR SERIES</b>	<b>\$ 63</b>	<b>\$ 170</b>
<b>SERIES D</b>	<b>\$ 117 612</b>	<b>\$ 119 163</b>
<b>SERIES F</b>	<b>\$ 2 059</b>	<b>\$ 1 594</b>
<b>SERIES O</b>	<b>\$ 531 113</b>	<b>\$ 453 111</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 38.13</b>	<b>\$ 36.31</b>
<b>ADVISOR SERIES</b>	<b>\$ 38.14</b>	<b>\$ 36.31</b>
<b>SERIES D</b>	<b>\$ 37.68</b>	<b>\$ 35.87</b>
<b>SERIES F</b>	<b>\$ 37.91</b>	<b>\$ 36.10</b>
<b>SERIES O</b>	<b>\$ 38.65</b>	<b>\$ 36.81</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 15 843	\$ 15 489
Interest for distribution purposes	224	131
Other income (loss)	245	331
Securities lending revenue (see note 7 in the generic notes)	5	–
Net realized gain (loss) on investments	11 183	11 845
Net gain (loss) on foreign currencies and other net assets	31	(6)
Change in unrealized gain (loss) on investments	19 874	74 908
<b>TOTAL INCOME (LOSS)</b>	<b>47 405</b>	<b>102 698</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	1 043	1 104
Administration fees	318	283
Independent Review Committee costs	3	2
GST/HST	111	112
Transaction costs	227	344
Withholding tax	7	31
<b>TOTAL EXPENSES</b>	<b>1 709</b>	<b>1 876</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 45 696</b>	<b>\$ 100 822</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 134</b>	<b>\$ 383</b>
<b>ADVISOR SERIES</b>	<b>\$ 2</b>	<b>\$ 35</b>
<b>SERIES D</b>	<b>\$ 7 696</b>	<b>\$ 20 338</b>
<b>SERIES F</b>	<b>\$ 133</b>	<b>\$ 224</b>
<b>SERIES O</b>	<b>\$ 37 731</b>	<b>\$ 79 842</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 2.13</b>	<b>\$ 5.47</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.93</b>	<b>\$ 5.73</b>
<b>SERIES D</b>	<b>\$ 2.41</b>	<b>\$ 5.87</b>
<b>SERIES F</b>	<b>\$ 2.89</b>	<b>\$ 6.75</b>
<b>SERIES O</b>	<b>\$ 2.94</b>	<b>\$ 6.53</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 45 696	\$ 100 822
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(10 951)	(11 504)
Change in unrealized loss (gain) on investments	(19 874)	(74 908)
(Increase) decrease in accrued receivables	(202)	(65)
Increase (decrease) in accrued payables	3	(9)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(724 952)	(749 202)
Proceeds from sale and maturity of investments	679 669	768 950
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(30 611)</b>	<b>34 084</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	52 113	38 887
Cash paid on redemption of redeemable units	(20 948)	(72 642)
Distributions paid to holders of redeemable units	(131)	(149)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 31 034</b>	<b>\$ (33 904)</b>
Net increase (decrease) in cash for the period	423	180
Cash (bank overdraft), beginning of period	325	145
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 748</b>	<b>\$ 325</b>
Interest received (paid)	\$ 229	\$ 131
Dividends received, net of withholding taxes	\$ 15 876	\$ 15 723

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 2 205</b>	<b>\$ 2 499</b>	<b>\$ 170</b>	<b>\$ 186</b>	<b>\$ 119 163</b>	<b>\$ 112 805</b>	<b>\$ 1 594</b>	<b>\$ 551</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>134</b>	<b>383</b>	<b>2</b>	<b>35</b>	<b>7 696</b>	<b>20 338</b>	<b>133</b>	<b>224</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	495	1 058	30	25	2 671	2 143	830	963
Reinvestments of distributions to holders of redeemable units	19	20	1	2	1 898	2 007	38	26
Redemption of redeemable units	(509)	(1 735)	(140)	(76)	(11 891)	(16 095)	(497)	(143)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>5</b>	<b>(657)</b>	<b>(109)</b>	<b>(49)</b>	<b>(7 322)</b>	<b>(11 945)</b>	<b>371</b>	<b>846</b>
Distributions from net income	(14)	(20)	—	(2)	(1 618)	(2 035)	(34)	(27)
Distributions from net gains	(6)	—	—	—	(307)	—	(5)	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(20)</b>	<b>(20)</b>	<b>—</b>	<b>(2)</b>	<b>(1 925)</b>	<b>(2 035)</b>	<b>(39)</b>	<b>(27)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>119</b>	<b>(294)</b>	<b>(107)</b>	<b>(16)</b>	<b>(1 551)</b>	<b>6 358</b>	<b>465</b>	<b>1 043</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 2 324</b>	<b>\$ 2 205</b>	<b>\$ 63</b>	<b>\$ 170</b>	<b>\$ 117 612</b>	<b>\$ 119 163</b>	<b>\$ 2 059</b>	<b>\$ 1 594</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 453 111</b>	<b>\$ 393 664</b>	<b>\$ 576 243</b>	<b>\$ 509 705</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>37 731</b>	<b>79 842</b>	<b>45 696</b>	<b>100 822</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	48 979	34 725	53 005	38 914
Reinvestments of distributions to holders of redeemable units	13 701	12 101	15 657	14 156
Redemption of redeemable units	(8 605)	(55 000)	(21 642)	(73 049)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>54 075</b>	<b>(8 174)</b>	<b>47 020</b>	<b>(19 979)</b>
Distributions from net income	(12 434)	(12 221)	(14 100)	(14 305)
Distributions from net gains	(1 370)	—	(1 688)	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(13 804)</b>	<b>(12 221)</b>	<b>(15 788)</b>	<b>(14 305)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>78 002</b>	<b>59 447</b>	<b>76 928</b>	<b>66 538</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 531 113</b>	<b>\$ 453 111</b>	<b>\$ 653 171</b>	<b>\$ 576 243</b>

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

December 31, 2017

**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 5 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, 2016 – 0.3%) of the NAV of the Fund.

**Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
Financials	34.2	34.3
Energy	20.9	21.1
Materials	9.7	11.1
Industrials	8.4	7.7
Consumer Discretionary	6.1	6.2
Consumer Staples	4.1	3.5
Information Technology	3.8	2.7
Telecommunication Services	3.3	3.0
Real Estate	3.1	3.6
Utilities	3.0	2.7
Health Care	0.5	0.6
Cash/Other	2.9	3.5
Total	100.0	100.0

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

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

	December 31 2017	December 31 2016
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.

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

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

The following is a summary of the inputs used as of December 31, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	626 600	5 666	1 667	633 933
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	17 128	–	17 128
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	(7)	–	(7)
Total financial instruments	626 600	22 788	1 667	651 055
% of total portfolio	96.2	3.5	0.3	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

During the periods ended December 31, 2017 and 2016, the reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	December 31 2017	December 31 2016
Balance at beginning of period	1 500	1 500
Net purchases	–	–
Net sales	–	–
Net transfers in	–	–
Net transfers out	–	–
Realized gains (losses)	–	–
Unrealized gains (losses)	167	–
Balance at end of period	1 667	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

December 31, 2017

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, 2017, 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 NAV, respectively, by approximately 0.0% (December 31, 2016 – 0.0%).

### Management fees and operating expenses (see note 8 in the generic notes)

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

	Management fees*	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 <sup>†</sup>	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%.

<sup>†</sup> 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 2017	December 31 2016
<b>Units held</b>		
Series A	19	19
Advisor Series	37	37
Series F	21	20
Series O	22	21
<b>Value of all units</b>	<b>4</b>	<b>4</b>

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

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

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

### 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)

	2017	2016
<b>Series A</b>		
Opening units	61	81
Issued number of units	13	33
Reinvested number of units	1	1
Redeemed number of units	(14)	(54)
Ending number of units	61	61

<b>Advisor Series</b>		
Opening units	5	6
Issued number of units	1	1
Reinvested number of units	–	–
Redeemed number of units	(4)	(2)
Ending number of units	2	5

<b>Series D</b>		
Opening units	3 322	3 691
Issued number of units	73	66
Reinvested number of units	51	56
Redeemed number of units	(324)	(491)
Ending number of units	3 122	3 322

<b>Series F</b>		
Opening units	44	18
Issued number of units	23	29
Reinvested number of units	1	1
Redeemed number of units	(14)	(4)
Ending number of units	54	44

<b>Series O</b>		
Opening units	12 310	12 555
Issued number of units	1 305	1 118
Reinvested number of units	356	330
Redeemed number of units	(230)	(1 693)
Ending number of units	13 741	12 310

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	227	100	344	100
Related-party brokerage commissions*	53	23	24	7
Commission arrangements <sup>†</sup>	14	6	6	2

\* See note 8 in the generic notes.

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

December 31, 2017

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	<b>48 593</b>	—
Fair value of collateral received	<b>49 565</b>	—

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	<b>8</b>	<b>100</b>	—	—
RBC IS (paid)	<b>(2)</b>	<b>(25)</b>	—	—
Tax withheld	<b>(1)</b>	<b>(7)</b>	—	—
Fund revenue	<b>5</b>	<b>68</b>	—	—

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

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

	December 31 2017	December 31 2016
RBC Retirement 2025 Portfolio	—	—
RBC Retirement 2030 Portfolio	<b>0.1</b>	—
RBC Retirement 2035 Portfolio	<b>0.1</b>	—
RBC Retirement 2040 Portfolio	<b>0.1</b>	—
RBC Retirement 2045 Portfolio	<b>0.1</b>	—
RBC Retirement 2050 Portfolio	<b>0.1</b>	—
RBC Select Aggressive Growth Portfolio	<b>17.3</b>	15.5
RBC Select Choices Aggressive Growth Portfolio	<b>1.7</b>	1.8
RBC Select Choices Growth Portfolio	<b>1.5</b>	1.7
RBC Select Growth Portfolio	<b>55.9</b>	55.2
RBC Target 2030 Education Fund	<b>3.0</b>	2.9
RBC Target 2035 Education Fund	<b>0.1</b>	—
Total	<b>80.0</b>	77.1

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH CANADIAN INCOME FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Consumer Discretionary</b>				
88 500	Dollarama Inc.	\$ 8 276	\$ 13 899	
159 300	Gildan Activewear Inc., Class A	6 078	6 469	
670 900	Quebecor Inc., Class B	12 696	15 900	
51 600	Restaurant Brands International Inc.	4 181	3 987	
642 400	Shaw Communications Inc., Class B	18 419	18 430	
		49 650	58 685	<b>6.3</b>
<b>Consumer Staples</b>				
416 000	Alimentation Couche-Tard Inc.	24 288	27 285	
		24 288	27 285	<b>2.9</b>
<b>Energy</b>				
1 297 789	ARC Resources Ltd.	22 609	19 142	
164 100	Canadian Natural Resources Ltd.	6 878	7 371	
888 618	Cenovus Energy Inc.	13 875	10 202	
1 100 490	Enbridge Inc.	57 419	54 101	
134 114	Enbridge Income Fund Holdings Inc.	3 728	3 998	
693 200	Encana Corp.	10 020	11 625	
518 670	Keyera Corp.	19 306	18 371	
60 900	Pembina Pipeline Corp.	2 282	2 772	
554 500	Seven Generations Energy Ltd.	13 490	9 859	
392 500	Suncor Energy Inc.	17 454	18 114	
480 391	Tourmaline Oil Corp.	13 047	10 943	
447 337	TransCanada Corp.	27 707	27 368	
1 342 800	Whitecap Resources Inc.	11 872	12 018	
		219 687	205 884	<b>22.1</b>
<b>Financials</b>				
255 200	Bank of Montreal	23 663	25 671	
460 000	Bank of Nova Scotia	34 350	37 315	
670 700	Brookfield Asset Management Inc., Class A	30 778	36 701	
285 500	Canadian Imperial Bank of Commerce	30 640	34 985	
961 500	Element Fleet Management Corp.	11 561	9 134	
26 800	Fairfax Financial Holdings Ltd.	15 724	17 938	
259 600	Great-West Lifeco Inc.	9 158	9 112	
81 000	Industrial Alliance Insurance & Financial Services Inc.	4 727	4 845	
108 525	Intact Financial Corp.	10 619	11 394	
1 149 400	Manulife Financial Corporation	25 457	30 137	
729 000	Royal Bank of Canada*	61 107	74 832	
136 600	Sun Life Financial Inc.	6 556	7 087	
294 100	Thomson Corp.	16 908	16 114	
1 052 700	Toronto-Dominion Bank	63 946	77 531	
		345 194	392 796	<b>42.1</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Industrials</b>				
180 500	Canadian National Railway Co.	\$ 17 485	\$ 18 709	
79 400	Canadian Pacific Railway Ltd.	15 990	18 235	
157 100	Finning International Inc.	3 831	4 983	
630 870	Stantec Inc.	20 377	22 181	
254 500	Waste Connections Inc.	19 084	22 691	
		76 767	86 799	<b>9.3</b>
<b>Information Technology</b>				
206 000	CGI Group Inc., Class A	13 231	14 070	
17 600	Constellation Software Inc.	11 162	13 412	
338 812	Open Text Corp.	13 994	15 148	
		38 387	42 630	<b>4.6</b>
<b>Materials</b>				
54 400	Agrium Inc.	6 722	7 865	
178 900	CCL Industries, Class B	9 231	10 391	
444 900	First Quantum Minerals Ltd.	6 883	7 835	
155 400	Teck Resources Ltd., Class B	4 480	5 108	
		27 316	31 199	<b>3.3</b>
<b>Real Estate</b>				
340 400	Brookfield Property Partners LP	9 837	9 480	
262 700	Canadian Real Estate Investment Trust	12 118	12 163	
674 500	First Capital Realty Inc.	13 503	13 976	
		35 458	35 619	<b>3.8</b>
<b>Telecommunication Services</b>				
109 592	Rogers Communications Inc., Class B	6 688	7 019	
171 600	TELUS Corp.	7 626	8 172	
		14 314	15 191	<b>1.6</b>
<b>Utilities</b>				
168 400	Brookfield Infrastructure Partners LP	7 494	9 494	
94 500	Fortis Inc.	3 992	4 357	
		11 486	13 851	<b>1.5</b>
<b>TOTAL CANADIAN EQUITIES</b>		<b>842 547</b>	<b>909 939</b>	<b>97.5</b>

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

December 31, 2017

Par Value (000s)	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CANADIAN BONDS</b>						
7 250	MEG Energy Corp. USD	6.500	15-Jan-2025	\$ 9 536	\$ 9 034	
<b>TOTAL CANADIAN BONDS</b>				9 536	9 034	<b>1.0</b>
<b>SHORT-TERM INVESTMENTS†</b>				10 199	10 199	<b>1.1</b>
<b>TOTAL INVESTMENTS</b>				862 282	929 172	<b>99.6</b>
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				—	76	—
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				—	(17)	—
<b>TOTAL PORTFOLIO</b>				<u>\$ 862 282</u>	929 231	<b>99.6</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					4 148	<b>0.4</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					<u>\$ 933 379</u>	<b>100.0</b>

**SCHEDULE A****Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 386 Sold USD 300 @ 1.2880	11-Jan-2018	\$ 9
Bought USD 3 872 Sold CAD 4 836 @ 0.8006	11-Jan-2018	30
Bought CAD 2 019 Sold USD 1 578 @ 1.2793	02-Mar-2018	37
		<u>\$ 76</u>
Contracts	Maturity Date	Unrealized Loss
Bought CAD 14 033 Sold USD 11 168 @ 1.2565	11-Jan-2018	\$ (4)
Bought USD 1 851 Sold CAD 2 340 @ 0.7910	11-Jan-2018	(13)
		<u>\$ (17)</u>
<b>TOTAL FOREIGN EXCHANGE</b>		<u>\$ 59</u>

All counterparties have a credit rating of at least A.

\* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.17% to 1.22% and mature between January 2, 2018 and January 3, 2018.

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 929 172	\$ 927 624
Cash	1 374	3 346
Due from investment dealers	900	3 329
Subscriptions receivable	14	70
Unrealized gain on foreign exchange contracts	76	–
Dividends receivable, interest accrued and other assets	2 195	1 889
<b>TOTAL ASSETS</b>	<b>933 731</b>	<b>936 258</b>
<b>LIABILITIES</b>		
Due to investment dealers	214	299
Redemptions payable	10	92
Unrealized loss on foreign exchange contracts	17	161
Accounts payable and accrued expenses	111	112
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>352</b>	<b>664</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 933 379</b>	<b>\$ 935 594</b>
Investments at cost	\$ 862 282	\$ 841 809
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 4 019</b>	<b>\$ 4 698</b>
<b>ADVISOR SERIES</b>	<b>\$ 944</b>	<b>\$ 1 049</b>
<b>SERIES D</b>	<b>\$ 61 059</b>	<b>\$ 62 851</b>
<b>SERIES F</b>	<b>\$ 2 016</b>	<b>\$ 1 361</b>
<b>SERIES O</b>	<b>\$ 865 341</b>	<b>\$ 865 635</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 15.67</b>	<b>\$ 15.61</b>
<b>ADVISOR SERIES</b>	<b>\$ 15.66</b>	<b>\$ 15.61</b>
<b>SERIES D</b>	<b>\$ 15.63</b>	<b>\$ 15.59</b>
<b>SERIES F</b>	<b>\$ 15.62</b>	<b>\$ 15.60</b>
<b>SERIES O</b>	<b>\$ 15.49</b>	<b>\$ 15.45</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 25 086	\$ 28 104
Interest for distribution purposes	1 149	834
Other income (loss)	408	426
Securities lending revenue (see note 7 in the generic notes)	6	–
Net realized gain (loss) on investments	61 851	25 064
Net gain (loss) on foreign currencies and other net assets	803	(325)
Change in unrealized gain (loss) on investments	(18 705)	146 596
<b>TOTAL INCOME (LOSS)</b>	<b>70 598</b>	<b>200 699</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	618	640
Administration fees	587	585
Independent Review Committee costs	3	2
GST/HST	107	109
Transaction costs	1 596	3 059
<b>TOTAL EXPENSES</b>	<b>2 911</b>	<b>4 395</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 67 687</b>	<b>\$ 196 304</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 226</b>	<b>\$ 871</b>
<b>ADVISOR SERIES</b>	<b>\$ 53</b>	<b>\$ 171</b>
<b>SERIES D</b>	<b>\$ 3 887</b>	<b>\$ 11 797</b>
<b>SERIES F</b>	<b>\$ 130</b>	<b>\$ 202</b>
<b>SERIES O</b>	<b>\$ 63 391</b>	<b>\$ 183 263</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.85</b>	<b>\$ 2.66</b>
<b>ADVISOR SERIES</b>	<b>\$ 0.85</b>	<b>\$ 2.73</b>
<b>SERIES D</b>	<b>\$ 0.99</b>	<b>\$ 2.85</b>
<b>SERIES F</b>	<b>\$ 1.20</b>	<b>\$ 2.61</b>
<b>SERIES O</b>	<b>\$ 1.15</b>	<b>\$ 2.96</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 67 687	\$ 196 304
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(60 189)	(21 632)
Change in unrealized loss (gain) on investments	18 705	(146 596)
(Increase) decrease in accrued receivables	(306)	1 192
Increase (decrease) in accrued payables	(1)	(10)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(1 726 599)	(3 387 238)
Proceeds from sale and maturity of investments	1 768 659	3 611 330
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>67 956</b>	<b>253 350</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	43 646	53 425
Cash paid on redemption of redeemable units	(109 919)	(302 347)
Distributions paid to holders of redeemable units	(3 655)	(1 743)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (69 928)</b>	<b>\$ (250 665)</b>
Net increase (decrease) in cash for the period	(1 972)	2 685
Cash (bank overdraft), beginning of period	3 346	661
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 1 374</b>	<b>\$ 3 346</b>
Interest received (paid)	\$ 1 004	\$ 706
Dividends received, net of withholding taxes	\$ 25 334	\$ 29 850

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 4 698</b>	<b>\$ 4 880</b>	<b>\$ 1 049</b>	<b>\$ 939</b>	<b>\$ 62 851</b>	<b>\$ 57 305</b>	<b>\$ 1 361</b>	<b>\$ 1 265</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>226</b>	<b>871</b>	<b>53</b>	<b>171</b>	<b>3 887</b>	<b>11 797</b>	<b>130</b>	<b>202</b>
Early redemption fees	—	—	—	—	—	1	—	—
Proceeds from redeemable units issued	328	574	18	154	4 302	4 382	955	392
Reinvestments of distributions to holders of redeemable units	160	54	43	12	3 315	1 239	75	19
Redemption of redeemable units	(1 190)	(1 614)	(170)	(213)	(9 599)	(10 481)	(381)	(486)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(702)</b>	<b>(986)</b>	<b>(109)</b>	<b>(47)</b>	<b>(1 982)</b>	<b>(4 859)</b>	<b>649</b>	<b>(75)</b>
Distributions from net income	(37)	(67)	(9)	(14)	(1 128)	(1 392)	(39)	(31)
Distributions from net gains	(166)	—	(40)	—	(2 569)	—	(85)	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(203)</b>	<b>(67)</b>	<b>(49)</b>	<b>(14)</b>	<b>(3 697)</b>	<b>(1 392)</b>	<b>(124)</b>	<b>(31)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(679)</b>	<b>(182)</b>	<b>(105)</b>	<b>110</b>	<b>(1 792)</b>	<b>5 546</b>	<b>655</b>	<b>96</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 4 019</b>	<b>\$ 4 698</b>	<b>\$ 944</b>	<b>\$ 1 049</b>	<b>\$ 61 059</b>	<b>\$ 62 851</b>	<b>\$ 2 016</b>	<b>\$ 1 361</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 865 635</b>	<b>\$ 920 098</b>	<b>\$ 935 594</b>	<b>\$ 984 487</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>63 391</b>	<b>183 263</b>	<b>67 687</b>	<b>196 304</b>
Early redemption fees	—	—	—	1
Proceeds from redeemable units issued	39 251	47 975	44 854	53 477
Reinvestments of distributions to holders of redeemable units	57 236	26 319	60 829	27 643
Redemption of redeemable units	(99 761)	(284 138)	(111 101)	(296 932)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(3 274)</b>	<b>(209 844)</b>	<b>(5 418)</b>	<b>(215 811)</b>
Distributions from net income	(24 050)	(27 882)	(25 263)	(29 386)
Distributions from net gains	(36 361)	—	(39 221)	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(60 411)</b>	<b>(27 882)</b>	<b>(64 484)</b>	<b>(29 386)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(294)</b>	<b>(54 463)</b>	<b>(2 215)</b>	<b>(48 893)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 865 341</b>	<b>\$ 865 635</b>	<b>\$ 933 379</b>	<b>\$ 935 594</b>

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

December 31, 2017

### 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 5 in the generic notes)

#### Concentration risk (%)

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

	December 31 2017	December 31 2016
Investment mix		
Financials	42.1	37.2
Energy	22.1	19.7
Industrials	9.3	6.8
Consumer Discretionary	6.3	6.6
Information Technology	4.6	3.0
Real Estate	3.8	4.7
Materials	3.3	7.8
Consumer Staples	2.9	3.1
Telecommunication Services	1.6	3.2
Utilities	1.5	4.9
Cash/Other	2.5	3.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

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

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

	December 31 2017	December 31 2016
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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>909 939</b>	–	–	<b>909 939</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	9 034	–	9 034
Short-term investments	–	10 199	–	10 199
Derivatives – assets	–	76	–	76
Derivatives – liabilities	–	(17)	–	(17)
<b>Total financial instruments</b>	<b>909 939</b>	<b>19 292</b>	–	<b>929 231</b>
<b>% of total portfolio</b>	<b>97.9</b>	<b>2.1</b>	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>902 237</b>	5 434	–	<b>907 671</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	13 129	–	13 129
Short-term investments	–	6 824	–	6 824
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(161)	–	(161)
<b>Total financial instruments</b>	<b>902 237</b>	<b>25 226</b>	–	<b>927 463</b>
<b>% of total portfolio</b>	<b>97.3</b>	<b>2.7</b>	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

### Management fees and operating expenses (see note 8 in the generic notes)

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

	Management fees*	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.

December 31, 2017

**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 2017	December 31 2016
<b>Units held</b>		
Series A	53	50
Advisor Series	105	99
Series D	56	53
Series F	58	54
Series O	62	58
<b>Value of all units</b>	<b>5</b>	<b>5</b>

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series A</b>		
Opening units	301	374
Issued number of units	21	40
Reinvested number of units	10	4
Redeemed number of units	(76)	(117)
Ending number of units	256	301
<b>Advisor Series</b>		
Opening units	67	72
Issued number of units	1	10
Reinvested number of units	3	1
Redeemed number of units	(11)	(16)
Ending number of units	60	67
<b>Series D</b>		
Opening units	4 033	4 395
Issued number of units	272	304
Reinvested number of units	212	85
Redeemed number of units	(611)	(751)
Ending number of units	3 906	4 033
<b>Series F</b>		
Opening units	87	97
Issued number of units	61	27
Reinvested number of units	5	1
Redeemed number of units	(24)	(38)
Ending number of units	129	87

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

	2017	2016
<b>Series O</b>		
Opening units	56 030	71 280
Issued number of units	2 531	3 695
Reinvested number of units	3 696	1 833
Redeemed number of units	(6 383)	(20 778)
Ending number of units	55 874	56 030

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	1 596	100	3 059	100
Related-party brokerage commissions*	107	7	237	8
Commission arrangements†	186	12	338	11

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	35 470	—
Fair value of collateral received	36 179	—

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	8	100	—	—
RBC IS (paid)	(2)	(25)	—	—
Tax withheld	—	—	—	—
Fund revenue	6	75	—	—

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

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

	December 31 2017	December 31 2016
RBC Managed Payout Solution	32.4	33.0
RBC Managed Payout Solution – Enhanced	15.6	14.5
RBC Managed Payout Solution – Enhanced Plus	35.8	34.9
<b>Total</b>	<b>83.8</b>	<b>82.4</b>

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, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Consumer Discretionary</b>				
28 370	Aritzia Inc.	\$ 437	\$ 360	
16 900	Cineplex Inc.	704	631	
7 700	Dollarama Inc.	551	1 209	
14 000	Gildan Activewear Inc., Class A	489	569	
102 300	Quebecor Inc., Class B	1 670	2 425	
6 616	Restaurant Brands International Inc.	364	511	
39 500	Shaw Communications Inc., Class B	1 144	1 133	
21 900	Sleep Country Canada Holdings Inc.	394	731	
		5 753	7 569	<b>11.2</b>
<b>Consumer Staples</b>				
30 100	Alimentation Couche-Tard Inc.	1 372	1 974	
38 600	Jamieson Wellness Inc.	627	862	
1 183	Lassonde Industries Inc.	286	298	
17 200	Maple Leaf Foods Inc.	387	616	
		2 672	3 750	<b>5.5</b>
<b>Energy</b>				
58 600	ARC Resources Ltd.	1 090	864	
28 900	Canadian Natural Resources Ltd.	1 078	1 298	
49 500	Cenovus Energy Inc.	893	568	
72 200	Enbridge Inc.	3 632	3 549	
32 300	Encana Corp.	461	542	
20 885	Keyera Corp.	762	740	
117 700	Raging River Exploration Inc.	949	942	
61 400	Secure Energy Services Inc.	584	538	
44 000	Seven Generations Energy Ltd.	885	782	
24 000	Suncor Energy Inc.	1 065	1 108	
28 421	Tourmaline Oil Corp.	898	647	
25 800	TransCanada Corp.	1 630	1 578	
64 000	Whitecap Resources Inc.	561	573	
		14 488	13 729	<b>20.3</b>
<b>Financials</b>				
12 000	Bank of Montreal	1 136	1 207	
40 400	Bank of Nova Scotia	2 523	3 277	
46 900	Brookfield Asset Management Inc., Class A	1 872	2 566	
71 500	Element Fleet Management Corp.	724	679	
2 000	Fairfax Financial Holdings Ltd.	1 165	1 339	
5 400	Industrial Alliance Insurance & Financial Services Inc.	316	323	
7 835	Intact Financial Corp.	744	823	
55 000	Manulife Financial Corporation	1 107	1 442	
40 100	Royal Bank of Canada*	2 855	4 116	
293 200	The Westaim Corp.	886	912	
15 800	Thomson Corp.	943	866	
62 800	Toronto-Dominion Bank	3 057	4 625	
		17 328	22 175	<b>32.8</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Industrials</b>				
66 366	Badger Daylighting Ltd.	\$ 1 533	\$ 1 804	
11 200	Boyd Group Income Fund	777	1 130	
5 400	Canadian National Railway Co.	345	560	
2 800	Canadian Pacific Railway Ltd.	585	643	
18 200	Richelieu Hardware Ltd.	323	624	
13 330	Ritchie Bros. Auctioneers Inc.	447	502	
57 224	Stantec Inc.	1 862	2 012	
9 700	Waste Connections Inc.	650	865	
		6 522	8 140	<b>12.1</b>
<b>Information Technology</b>				
154 105	Blackline Safety Corp.	462	693	
19 100	CGI Group Inc., Class A	1 101	1 305	
800	Constellation Software Inc.	484	610	
9 800	Kinaxis Inc.	397	753	
29 536	Open Text Corp.	1 135	1 321	
		3 579	4 682	<b>6.9</b>
<b>Materials</b>				
17 300	CCL Industries, Class B	676	1 005	
47 300	First Quantum Minerals Ltd.	581	833	
9 200	Franco-Nevada Corp.	701	924	
10 800	Stella-Jones Inc.	407	545	
25 500	Teck Resources Ltd., Class B	647	838	
		3 012	4 145	<b>6.1</b>
<b>Real Estate</b>				
27 000	First Capital Realty Inc.	543	559	
11 500	Mainstreet Equity Corp.	423	502	
47 785	Tricon Capital Group Inc.	505	552	
		1 471	1 613	<b>2.4</b>
<b>Utilities</b>				
11 250	Brookfield Infrastructure Partners LP	451	634	
		451	634	<b>0.9</b>
<b>TOTAL CANADIAN EQUITIES</b>		55 276	66 437	<b>98.2</b>
<b>SHORT-TERM INVESTMENTS†</b>		925	925	<b>1.4</b>
<b>TOTAL INVESTMENTS</b>		<u>\$ 56 201</u>	67 362	<b>99.6</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
		\$ 67 629		<b>100.0</b>

\* Investment in related party (see note 8 in the generic notes).

† Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at a rate of 1.17% and mature on January 3, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 67 362	\$ 62 023
Cash	90	98
Due from investment dealers	39	200
Subscriptions receivable	124	157
Dividends receivable, interest accrued and other assets	97	93
<b>TOTAL ASSETS</b>	<b>67 712</b>	<b>62 571</b>
<b>LIABILITIES</b>		
Due to investment dealers	13	38
Redemptions payable	27	97
Accounts payable and accrued expenses	43	45
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>83</b>	<b>180</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 67 629</b>	<b>\$ 62 391</b>
Investments at cost	\$ 56 201	\$ 50 661
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 1 349</b>	<b>\$ 1 702</b>
<b>ADVISOR SERIES</b>	<b>\$ 877</b>	<b>\$ 797</b>
<b>SERIES D</b>	<b>\$ 32 105</b>	<b>\$ 34 976</b>
<b>SERIES F</b>	<b>\$ 2 177</b>	<b>\$ 987</b>
<b>SERIES O</b>	<b>\$ 31 121</b>	<b>\$ 23 929</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 31.03</b>	<b>\$ 29.64</b>
<b>ADVISOR SERIES</b>	<b>\$ 31.07</b>	<b>\$ 29.68</b>
<b>SERIES D</b>	<b>\$ 32.38</b>	<b>\$ 30.83</b>
<b>SERIES F</b>	<b>\$ 33.66</b>	<b>\$ 32.05</b>
<b>SERIES O</b>	<b>\$ 35.20</b>	<b>\$ 33.52</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 1 379	\$ 1 370
Interest for distribution purposes	9	6
Other income (loss)	11	9
Securities lending revenue (see note 7 in the generic notes)	12	—
Net realized gain (loss) on investments	3 245	1 320
Net gain (loss) on foreign currencies and other net assets	1	—
Change in unrealized gain (loss) on investments	(201)	9 915
<b>TOTAL INCOME (LOSS)</b>	<b>4 456</b>	<b>12 620</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	423	435
Administration fees	53	48
Independent Review Committee costs	3	2
GST/HST	36	37
Transaction costs	60	61
<b>TOTAL EXPENSES</b>	<b>575</b>	<b>583</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 3 881</b>	<b>\$ 12 037</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 69</b>	<b>\$ 325</b>
<b>ADVISOR SERIES</b>	<b>\$ 37</b>	<b>\$ 128</b>
<b>SERIES D</b>	<b>\$ 1 753</b>	<b>\$ 6 455</b>
<b>SERIES F</b>	<b>\$ 102</b>	<b>\$ 368</b>
<b>SERIES O</b>	<b>\$ 1 920</b>	<b>\$ 4 761</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 1.39</b>	<b>\$ 5.07</b>
<b>ADVISOR SERIES</b>	<b>\$ 1.33</b>	<b>\$ 5.25</b>
<b>SERIES D</b>	<b>\$ 1.62</b>	<b>\$ 5.62</b>
<b>SERIES F</b>	<b>\$ 2.78</b>	<b>\$ 5.59</b>
<b>SERIES O</b>	<b>\$ 2.42</b>	<b>\$ 6.86</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 3 881	\$ 12 037
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(3 183)	(1 257)
Change in unrealized loss (gain) on investments	201	(9 915)
(Increase) decrease in accrued receivables	(4)	22
Increase (decrease) in accrued payables	(2)	(2)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(147 812)	(130 485)
Proceeds from sale and maturity of investments	145 591	131 622
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(1 328)</b>	<b>2 022</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	11 413	9 999
Cash paid on redemption of redeemable units	(9 650)	(11 835)
Distributions paid to holders of redeemable units	(443)	(359)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 1 320</b>	<b>\$ (2 195)</b>
Net increase (decrease) in cash for the period	(8)	(173)
Cash (bank overdraft), beginning of period	98	271
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 90</b>	<b>\$ 98</b>
Interest received (paid)	\$ 9	\$ 6
Dividends received, net of withholding taxes	\$ 1 386	\$ 1 397

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 1 702</b>	<b>\$ 1 781</b>	<b>\$ 797</b>	<b>\$ 453</b>	<b>\$ 34 976</b>	<b>\$ 31 096</b>	<b>\$ 987</b>	<b>\$ 2 585</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>69</b>	<b>325</b>	<b>37</b>	<b>128</b>	<b>1 753</b>	<b>6 455</b>	<b>102</b>	<b>368</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	151	340	143	300	1 968	2 615	1 575	669
Reinvestments of distributions to holders of redeemable units	—	—	—	—	164	260	13	4
Redemption of redeemable units	(573)	(744)	(100)	(84)	(6 586)	(5 182)	(484)	(2 629)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(422)</b>	<b>(404)</b>	<b>43</b>	<b>216</b>	<b>(4 454)</b>	<b>(2 307)</b>	<b>1 104</b>	<b>(1 956)</b>
Distributions from net income	—	—	—	—	(170)	(268)	(16)	(10)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(170)</b>	<b>(268)</b>	<b>(16)</b>	<b>(10)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(353)</b>	<b>(79)</b>	<b>80</b>	<b>344</b>	<b>(2 871)</b>	<b>3 880</b>	<b>1 190</b>	<b>(1 598)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 1 349</b>	<b>\$ 1 702</b>	<b>\$ 877</b>	<b>\$ 797</b>	<b>\$ 32 105</b>	<b>\$ 34 976</b>	<b>\$ 2 177</b>	<b>\$ 987</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 23 929</b>	<b>\$ 16 583</b>	<b>\$ 62 391</b>	<b>\$ 52 498</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>1 920</b>	<b>4 761</b>	<b>3 881</b>	<b>12 037</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	7 936	6 213	11 773	10 137
Reinvestments of distributions to holders of redeemable units	121	132	298	396
Redemption of redeemable units	(2 230)	(3 283)	(9 973)	(11 922)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>5 827</b>	<b>3 062</b>	<b>2 098</b>	<b>(1 389)</b>
Distributions from net income	(555)	(477)	(741)	(755)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(555)</b>	<b>(477)</b>	<b>(741)</b>	<b>(755)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>7 192</b>	<b>7 346</b>	<b>5 238</b>	<b>9 893</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 31 121</b>	<b>\$ 23 929</b>	<b>\$ 67 629</b>	<b>\$ 62 391</b>

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



December 31, 2017

**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 5 in the generic notes)****Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
Financials	32.8	32.2
Energy	20.3	19.6
Industrials	12.1	13.5
Consumer Discretionary	11.2	10.6
Information Technology	6.9	4.7
Materials	6.1	7.6
Consumer Staples	5.5	3.6
Real Estate	2.4	1.6
Utilities	0.9	2.5
Telecommunication Services	–	1.1
Cash/Other	1.8	3.0
Total	100.0	100.0

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

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

	December 31 2017	December 31 2016
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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	66 437	–	–	66 437
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	925	–	925
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	66 437	925	–	67 362
% of total portfolio	98.6	1.4	–	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees*	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 <sup>†</sup>	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%.

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

**PHILLIPS, HAGER & NORTH VINTAGE FUND**

December 31, 2017

**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 2017	December 31 2016
<b>Units held</b>		
Series A	28	28
Advisor Series	55	55
Series F	28	28
Series O	29	29
<b>Value of all units</b>	<b>5</b>	<b>4</b>

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	27 846
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)

	2017	2016
<b>Series A</b>		
Opening units	57	73
Issued number of units	5	12
Reinvested number of units	—	—
Redeemed number of units	(19)	(28)
Ending number of units	43	57
<b>Advisor Series</b>		
Opening units	27	19
Issued number of units	4	11
Reinvested number of units	—	—
Redeemed number of units	(3)	(3)
Ending number of units	28	27
<b>Series D</b>		
Opening units	1 134	1 226
Issued number of units	63	90
Reinvested number of units	5	8
Redeemed number of units	(211)	(190)
Ending number of units	991	1 134
<b>Series F</b>		
Opening units	31	98
Issued number of units	49	25
Reinvested number of units	—	—
Redeemed number of units	(15)	(92)
Ending number of units	65	31

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

	2017	2016
<b>Series O</b>		
Opening units	714	602
Issued number of units	232	221
Reinvested number of units	3	4
Redeemed number of units	(65)	(113)
Ending number of units	884	714

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	60	100	61	100
Related-party brokerage commissions*	3	5	6	10
Commission arrangements†	6	10	6	10

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	3 444	—
Fair value of collateral received	3 513	—

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	20	100	—	—
RBC IS (paid)	(5)	(25)	—	—
Tax withheld	(3)	(15)	—	—
Fund revenue	12	60	—	—

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH U.S. DIVIDEND INCOME FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
<b>Consumer Discretionary</b>				
14 200	Aptiv Plc.	\$ 1 276	\$ 1 514	
112 700	Comcast Corp., Class A	4 975	5 677	
24 500	General Motors Co.	1 261	1 263	
26 328	McDonald's Corp.	3 134	5 701	
		10 646	14 155	<b>6.6</b>
<b>Consumer Staples</b>				
65 280	Altria Group Inc.	4 642	5 863	
25 600	CVS Health Corp.	3 227	2 335	
40 175	PepsiCo Inc.	2 811	6 057	
41 600	Philip Morris International Inc.	4 969	5 525	
11 000	Wal-Mart Stores, Inc.	1 104	1 367	
		16 753	21 147	<b>9.9</b>
<b>Energy</b>				
32 300	Chevron Corp.	3 782	5 091	
24 600	ConocoPhillips	1 553	1 698	
20 300	Exxon Mobil Corp.	2 143	2 138	
18 700	Occidental Petroleum Corp.	1 529	1 733	
14 100	Phillips 66 Company	1 559	1 794	
16 400	Valero Energy Corp.	1 487	1 895	
		12 053	14 349	<b>6.7</b>
<b>Financials</b>				
175 700	Bank of America Corp.	3 510	6 523	
60 100	Citigroup Inc.	5 014	5 622	
46 000	Citizens Financial Group Inc.	1 607	2 427	
124 200	Financial Select Sector SPDR Fund	4 375	4 371	
62 900	iShares Dow Jones US Real Estate Index Fund	6 516	6 405	
43 189	JPMorgan Chase & Co.	2 580	5 820	
24 100	MetLife Inc.	1 661	1 532	
34 760	Morgan Stanley	1 934	2 293	
19 200	PNC Bank Corp.	3 113	3 484	
28 900	SPDR KBW Regional Banking Fund	1 937	2 132	
28 000	Suntrust Banks Inc.	1 538	2 273	
		33 785	42 882	<b>20.1</b>
<b>Health Care</b>				
11 300	AbbVie Inc.	1 019	1 376	
9 800	Aetna Inc.	2 262	2 225	
5 000	Allergan plc	1 124	1 029	
11 300	AmerisourceBergen Corp.	1 132	1 304	
20 500	Bristol-Myers Squibb Co.	1 615	1 580	
55 988	Johnson & Johnson	3 979	9 842	
39 600	Medtronic Plc.	3 821	4 021	
29 118	Merck & Co. Inc.	2 048	2 062	
96 100	Pfizer Inc.	4 221	4 380	
33 200	UnitedHealth Group Incorporated	5 227	9 213	
		26 448	37 032	<b>17.3</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Industrials</b>				
4 700	3M Co.	\$ 1 159	\$ 1 393	
10 500	Boeing Co.	1 924	3 894	
5 100	Cummins Engine Inc.	1 111	1 132	
33 900	Delta Air Lines Inc.	2 084	2 386	
49 367	General Electric Company	1 456	1 084	
12 000	Honeywell International Inc.	2 155	2 318	
6 600	Northrop Grumman Corp.	2 036	2 548	
4 500	Parker Hannifin Corp.	1 124	1 129	
11 000	Raytheon Company	2 275	2 598	
14 400	Union Pacific Corp.	2 035	2 430	
		17 359	20 912	<b>9.8</b>
<b>Information Technology</b>				
6 000	Accenture Plc., Class A	1 095	1 155	
45 651	Apple Inc.	6 223	9 715	
9 300	Broadcom Ltd.	2 750	3 008	
114 452	Cisco Systems Inc.	3 828	5 514	
56 572	Intel Corp.	2 734	3 284	
18 500	Microchip Technology Inc.	1 707	2 044	
100 320	Microsoft Corp.	4 329	10 794	
67 900	Oracle Corporation	4 045	4 037	
40 300	Texas Instruments Inc.	4 322	5 292	
		31 033	44 843	<b>21.0</b>
<b>Materials</b>				
19 295	DowDuPont Inc.	1 218	1 730	
9 500	Eastman Chemical Company	1 081	1 105	
8 230	LyondellBasell Industries N.V.	958	1 140	
		3 257	3 975	<b>1.9</b>
<b>Telecommunication Services</b>				
62 283	AT&T Inc.	2 792	3 046	
34 780	Verizon Communications Inc.	2 174	2 318	
		4 966	5 364	<b>2.5</b>
<b>Utilities</b>				
13 550	American Electric Power	1 275	1 253	
21 000	Exelon Corp.	1 113	1 041	
23 000	NextEra Energy Inc.	3 089	4 517	
		5 477	6 811	<b>3.2</b>
<b>TOTAL UNITED STATES EQUITIES</b>		<b>\$ 161 777</b>	<b>211 470</b>	<b>99.0</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>2 071</b>	<b>1.0</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>		<b>\$ 213 541</b>		<b>100.0</b>

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 211 470	\$ 198 942
Cash	2 191	2 229
Subscriptions receivable	45	82
Dividends receivable, interest accrued and other assets	199	365
<b>TOTAL ASSETS</b>	<b>213 905</b>	<b>201 618</b>
<b>LIABILITIES</b>		
Redemptions payable	229	180
Accounts payable and accrued expenses	135	118
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>364</b>	<b>298</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 213 541</b>	<b>\$ 201 320</b>
Investments at cost	\$ 161 777	\$ 162 407
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 13 333</b>	<b>\$ 13 461</b>
<b>ADVISOR SERIES</b>	<b>\$ 12 497</b>	<b>\$ 11 523</b>
<b>SERIES D</b>	<b>\$ 88 507</b>	<b>\$ 78 706</b>
<b>SERIES F</b>	<b>\$ 14 036</b>	<b>\$ 10 012</b>
<b>SERIES O</b>	<b>\$ 85 168</b>	<b>\$ 87 618</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 15.67</b>	<b>\$ 14.30</b>
<b>ADVISOR SERIES</b>	<b>\$ 15.67</b>	<b>\$ 14.30</b>
<b>SERIES D</b>	<b>\$ 15.55</b>	<b>\$ 14.20</b>
<b>SERIES F</b>	<b>\$ 15.48</b>	<b>\$ 14.15</b>
<b>SERIES O</b>	<b>\$ 15.55</b>	<b>\$ 14.21</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 5 594	\$ 5 604
Interest for distribution purposes	54	41
Securities lending revenue (see note 7 in the generic notes)	1	—
Net realized gain (loss) on investments	9 198	22 535
Net gain (loss) on foreign currencies and other net assets	(308)	(160)
Change in unrealized gain (loss) on investments	13 158	(7 606)
<b>TOTAL INCOME (LOSS)</b>	<b>27 697</b>	<b>20 414</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	1 195	1 132
Administration fees	186	166
Independent Review Committee costs	3	2
GST/HST	118	110
Transaction costs	119	144
Withholding tax	744	781
<b>TOTAL EXPENSES</b>	<b>2 365</b>	<b>2 335</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 25 332</b>	<b>\$ 18 079</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 1 444</b>	<b>\$ 1 015</b>
<b>ADVISOR SERIES</b>	<b>\$ 1 302</b>	<b>\$ 836</b>
<b>SERIES D</b>	<b>\$ 9 780</b>	<b>\$ 6 720</b>
<b>SERIES F</b>	<b>\$ 1 496</b>	<b>\$ 904</b>
<b>SERIES O</b>	<b>\$ 11 310</b>	<b>\$ 8 604</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 1.58</b>	<b>\$ 1.11</b>
<b>ADVISOR SERIES</b>	<b>\$ 1.63</b>	<b>\$ 1.03</b>
<b>SERIES D</b>	<b>\$ 1.75</b>	<b>\$ 1.22</b>
<b>SERIES F</b>	<b>\$ 1.84</b>	<b>\$ 1.43</b>
<b>SERIES O</b>	<b>\$ 1.92</b>	<b>\$ 1.36</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 25 332	\$ 18 079
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(9 081)	(22 377)
Change in unrealized loss (gain) on investments	(13 158)	7 606
(Increase) decrease in accrued receivables	166	70
Increase (decrease) in accrued payables	17	(13)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(353 041)	(490 098)
Proceeds from sale and maturity of investments	362 752	507 161
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>12 987</b>	<b>20 428</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	21 079	16 022
Cash paid on redemption of redeemable units	(31 261)	(30 868)
Distributions paid to holders of redeemable units	(2 843)	(3 411)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (13 025)</b>	<b>\$ (18 257)</b>
Net increase (decrease) in cash for the period	(38)	2 171
Cash (bank overdraft), beginning of period	2 229	58
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 2 191</b>	<b>\$ 2 229</b>
Interest received (paid)	\$ 55	\$ 41
Dividends received, net of withholding taxes	\$ 5 015	\$ 4 894

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 13 461</b>	<b>\$ 12 974</b>	<b>\$ 11 523</b>	<b>\$ 12 585</b>	<b>\$ 78 706</b>	<b>\$ 78 132</b>	<b>\$ 10 012</b>	<b>\$ 7 349</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>1 444</b>	<b>1 015</b>	<b>1 302</b>	<b>836</b>	<b>9 780</b>	<b>6 720</b>	<b>1 496</b>	<b>904</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 798	2 523	2 232	1 655	9 184	5 983	5 213	3 185
Reinvestments of distributions to holders of redeemable units	198	305	195	276	1 970	2 380	236	241
Redemption of redeemable units	(3 345)	(3 012)	(2 545)	(3 533)	(8 850)	(11 742)	(2 512)	(1 281)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(1 349)</b>	<b>(184)</b>	<b>(118)</b>	<b>(1 602)</b>	<b>2 304</b>	<b>(3 379)</b>	<b>2 937</b>	<b>2 145</b>
Distributions from net income	(53)	(72)	(50)	(62)	(1 142)	(1 128)	(227)	(176)
Distributions from net gains	(170)	(272)	(160)	(234)	(1 141)	(1 639)	(182)	(210)
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(223)</b>	<b>(344)</b>	<b>(210)</b>	<b>(296)</b>	<b>(2 283)</b>	<b>(2 767)</b>	<b>(409)</b>	<b>(386)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(128)</b>	<b>487</b>	<b>974</b>	<b>(1 062)</b>	<b>9 801</b>	<b>574</b>	<b>4 024</b>	<b>2 663</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 13 333</b>	<b>\$ 13 461</b>	<b>\$ 12 497</b>	<b>\$ 11 523</b>	<b>\$ 88 507</b>	<b>\$ 78 706</b>	<b>\$ 14 036</b>	<b>\$ 10 012</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 87 618</b>	<b>\$ 90 426</b>	<b>\$ 201 320</b>	<b>\$ 201 466</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>11 310</b>	<b>8 604</b>	<b>25 332</b>	<b>18 079</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	5 088	2 734	23 515	16 080
Reinvestments of distributions to holders of redeemable units	806	1 202	3 405	4 404
Redemption of redeemable units	(16 531)	(11 326)	(33 783)	(30 894)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(10 637)</b>	<b>(7 390)</b>	<b>(6 863)</b>	<b>(10 410)</b>
Distributions from net income	(1 996)	(2 133)	(3 468)	(3 571)
Distributions from net gains	(1 127)	(1 889)	(2 780)	(4 244)
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(3 123)</b>	<b>(4 022)</b>	<b>(6 248)</b>	<b>(7 815)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(2 450)</b>	<b>(2 808)</b>	<b>12 221</b>	<b>(146)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 85 168</b>	<b>\$ 87 618</b>	<b>\$ 213 541</b>	<b>\$ 201 320</b>

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

December 31, 2017

### 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 5 in the generic notes)

#### Concentration risk (%)

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

	December 31 2017	December 31 2016
Investment mix		
Information Technology	21.0	17.2
Financials	20.1	15.6
Health Care	17.3	17.9
Consumer Staples	9.9	10.8
Industrials	9.8	8.0
Energy	6.7	8.1
Consumer Discretionary	6.6	4.4
Utilities	3.2	5.6
Telecommunication Services	2.5	3.6
Materials	1.9	2.6
Real Estate	–	3.6
Cash/Other	1.0	2.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### Currency risk (% of NAV)

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

	December 31 2017	December 31 2016
Currency		
United States dollar	100.0	99.9
<b>Total</b>	<b>100.0</b>	<b>99.9</b>

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2016 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
S&P 500 Total Return Index (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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>211 470</b>	–	–	<b>211 470</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	–	–	–
<b>Short-term investments</b>	–	–	–	–
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>211 470</b>	–	–	<b>211 470</b>
<b>% of total portfolio</b>	<b>100.0</b>	–	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>196 104</b>	–	–	<b>196 104</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	–	–	–
<b>Short-term investments</b>	–	2 838	–	<b>2 838</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>196 104</b>	<b>2 838</b>	–	<b>198 942</b>
<b>% of total portfolio</b>	<b>98.6</b>	<b>1.4</b>	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2017

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

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

	Management fees*	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 <sup>†</sup>	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%.

<sup>†</sup> 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 2017	December 31 2016
<b>Units held</b>		
Series A	44	43
Advisor Series	163	160
Series F	91	88
Series O	96	93
<b>Value of all units</b>	<b>6</b>	<b>5</b>

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

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Financial Select Sector SPDR Fund	2.0	—	—	—
iShares Dow Jones US Real Estate Index Fund	3.0	0.1	—	—
SPDR KBW Regional Banking Fund	1.0	—	—	—

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series A</b>		
Opening units	941	959
Issued number of units	121	185
Reinvested number of units	12	21
Redeemed number of units	(223)	(224)
Ending number of units	851	941

**Advisor Series**

Opening units	806	931
Issued number of units	148	120
Reinvested number of units	12	19
Redeemed number of units	(169)	(264)
Ending number of units	797	806

**Series D**

Opening units	5 544	5 816
Issued number of units	618	443
Reinvested number of units	124	167
Redeemed number of units	(593)	(882)
Ending number of units	5 693	5 544

**Series F**

Opening units	708	548
Issued number of units	349	239
Reinvested number of units	15	17
Redeemed number of units	(166)	(96)
Ending number of units	906	708

**Series O**

Opening units	6 167	6 729
Issued number of units	342	198
Reinvested number of units	51	84
Redeemed number of units	(1 084)	(844)
Ending number of units	5 476	6 167

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	119	100	144	100
Related-party brokerage commissions*	5	4	25	17
Commission arrangements <sup>†</sup>	24	20	26	18

\* See note 8 in the generic notes.

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

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



December 31, 2017

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	<b>10 167</b>	—
Fair value of collateral received	<b>10 371</b>	—

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	<b>1</b>	<b>100</b>	—	—
RBC IS (paid)	—	<b>(25)</b>	—	—
Tax withheld	—	<b>(5)</b>	—	—
Fund revenue	<b>1</b>	<b>70</b>	—	—

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, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets	Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>					<b>Consumer Discretionary (cont.)</b>				
<b>Consumer Discretionary</b>					48 222	Marriott International Inc., Class A	\$ 6 935	\$ 8 227	
19 253	Adient Plc.	\$ 1 886	\$ 1 905		71 000	McDonald's Corp.	11 985	15 373	
53 194	Amazon.com, Inc.	53 112	78 196		9 942	Michael Kors Holdings Ltd.	632	787	
103 884	American Outdoor Brands Corp.	2 116	1 677		25 260	Mohawk Industries Inc.	6 993	8 761	
72 797	Bed Bath & Beyond Inc.	2 155	2 010		115 660	Motorcar Parts of America Inc.	4 600	3 633	
121 664	Best Buy Co. Inc.	6 594	10 471		36 450	Netflix Inc.	6 923	8 798	
37 890	Bright Horizons Family Solutions Inc.	3 540	4 477		36 680	New Media Investment Group Inc.	840	774	
45 045	Brinker International Inc.	1 920	2 199		217 589	Newell Brands Inc.	12 691	8 451	
76 380	Brunswick Corp.	4 968	5 300		99 542	Nexstar Media Group Inc.	8 876	9 785	
17 661	Burlington Stores Inc.	1 906	2 731		83 900	Nike Inc.	5 782	6 600	
20 005	Carnival Corp.	1 714	1 669		38 150	Nordstrom Inc.	2 365	2 272	
88 690	Carriage Services Inc.	2 608	2 866		41 084	NutriSystem Inc.	2 752	2 716	
6 340	Cavco Industries Inc.	682	1 216		1 551	NVR Inc.	5 947	6 840	
61 820	CBS Corp.	4 410	4 585		27 073	Omnicom Group	2 464	2 479	
19 061	Charter Communications Inc.	7 043	8 055		10 891	O'Reilly Automotive Inc.	3 125	3 293	
2 020	Chipotle Mexican Grill Inc., Class A	708	734		30 444	PetMed Express Inc.	1 498	1 741	
11 165	Choice Hotels International Inc.	1 105	1 089		14 062	Polaris Industries Inc.	2 294	2 192	
514 280	Comcast Corp., Class A	25 244	25 906		15 880	Red Robin Gourmet Burgers Inc.	1 174	1 126	
44 330	Dana Inc.	1 058	1 784		279 439	Ross Stores Inc.	21 160	28 193	
12 523	Darden Restaurants Inc.	1 267	1 512		146 583	Royal Caribbean Cruises Ltd.	22 425	21 981	
289 746	Destination XL Group Inc.	1 272	801		27 869	Scholastic Corp.	1 569	1 405	
40 970	Dick's Sporting Goods Inc.	2 073	1 480		18 606	Scientific Games Corp., Class A	1 242	1 200	
23 311	Dillards Inc.	1 631	1 760		86 207	Signet Jewelers Ltd.	5 840	6 128	
23 660	DISH Network Corp., Class A	1 981	1 420		12 886	Six Flags Entertainment Corp.	1 065	1 079	
43 470	Dollar Tree Inc.	3 924	5 864		126 200	Starbucks Corp.	8 762	9 110	
21 329	Domino's Pizza Inc.	4 560	5 065		95 186	Steven Madden Ltd.	3 790	5 588	
2 832	Expedia Inc.	501	426		24 150	Stoneridge Inc.	684	694	
150 981	Foot Locker Inc.	9 292	8 897		83 168	Tandy Leather Factory Inc.	893	815	
50 526	Fox Factory Holding Corp.	927	2 467		190 094	Target Corporation	15 884	15 591	
82 417	GameStop Corp., Class A	1 710	1 860		67 470	Taylor Morrison Home Corp.	1 487	2 075	
93 634	General Motors Co.	4 276	4 826		30 500	TEGNA Inc.	448	540	
11 710	G-III Apparel Group Ltd.	553	543		48 836	The Cheesecake Factory	2 693	2 958	
97 420	Grand Canyon Education Inc.	7 672	10 964		3 500	The Priceline Group Inc.	6 304	7 645	
374 569	Gray Television Inc.	6 520	7 886		96 900	The Walt Disney Company	13 200	13 130	
447 218	H&R Block, Inc.	14 976	14 740		75 267	Time Warner Inc.	7 385	8 665	
41 643	Hasbro Inc.	5 669	4 758		84 655	TJX Companies Inc.	7 672	8 136	
58 309	Hilton Grand Vacations Inc.	3 045	3 075		19 245	Toll Brothers Inc.	1 172	1 162	
373 228	Home Depot Inc.	61 449	89 009		46 150	Tractor Supply Co.	3 352	4 336	
106 713	ILG Inc.	2 345	3 820		142 725	TRI Pointe Homes Inc.	2 310	3 215	
92 193	Kohl's Corp.	5 372	6 283		74 000	Twenty-First Century Fox Inc.	3 346	3 212	
140 816	Las Vegas Sands Corp.	11 871	12 300		6 200	Ulta Salon, Cosmetics & Fragrance, Inc.	2 206	1 743	
36 701	LCI Industries	2 318	5 993		46 038	Under Armour Inc.	72	771	
8 416	Lear Corp.	1 402	1 869		45 730	Under Armour Inc., Class A	2 158	830	
30 790	Lennar Corp.	1 840	2 448		82 976	Unifi Inc.	3 307	3 740	
130 344	Libbey Inc.	3 664	1 232		97 811	Universal Electronics Inc.	4 321	5 809	
154 090	Liberty Interactive Corp.	4 610	4 730		34 550	V.F. Corporation	2 833	3 214	
13 363	Lithia Motors Inc.	1 562	1 908		1 779	Vail Resorts Inc.	482	475	
30 982	Live Nation Inc.	1 557	1 658		17 180	Whirlpool Corp.	3 911	3 643	
76 230	LKQ Corp.	2 052	3 897		76 155	Wynn Resorts Ltd.	15 069	16 139	
61 400	Lowe's Companies	6 039	7 173		158 641	Zagg Inc.	1 453	3 679	
160 511	Macy's Inc.	4 784	5 082						
85 370	Malibu Boats Inc.	1 973	3 190						
							563 827	666 555	12.5

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE  
ALL-CAP EQUITY FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Consumer Staples</b>				
533 268	Altria Group Inc.	\$ 42 601	\$ 47 891	
266 470	Archer Daniels Midland Co.	14 274	13 425	
63 414	Bunge Ltd.	6 443	5 350	
36 862	Campbell Soup Company	2 122	2 229	
19 640	Casey's General Stores Inc.	2 874	2 764	
53 430	Church & Dwight Co. Inc.	1 974	3 371	
68 831	Clorox Company	11 639	12 869	
245 454	Colgate-Palmolive Company	23 065	23 296	
450 724	Conagra Brands Inc.	20 997	21 342	
19 600	Constellation Brands Inc.	4 257	5 632	
81 527	Costco Wholesale Corp.	16 783	19 082	
151 747	CVS Health Corp.	15 191	13 840	
114 150	Dean Foods Co.	2 382	1 659	
12 461	Energizer Holdings Inc.	713	752	
25 800	Estée Lauder Companies Inc., Class A	2 820	4 127	
31 298	Flowers Foods Inc.	697	760	
49 737	Herbalife Ltd.	4 328	4 234	
216 213	Hostess Brands Inc., Class A	3 480	4 025	
25 280	Ingredion Inc.	3 586	4 443	
22 980	John B. Sanfilippo & Son Inc.	1 635	1 827	
123 776	Kimberly-Clark Corp.	18 750	18 777	
46 237	Landec Corp.	721	732	
26 550	McCormick & Co. Inc.	2 012	3 401	
174 030	Mondelez International Inc.	10 519	9 363	
60 800	Monster Beverage Corp.	3 749	4 839	
114 832	PepsiCo Inc.	15 033	17 312	
392 501	Philip Morris International Inc.	54 743	52 125	
39 840	Pilgrim's Pride Corp.	1 675	1 555	
15 716	Sanderson Farms Inc.	2 705	2 742	
1 551	Spectrum Brands Holdings Inc.	247	219	
333 884	The Coca-Cola Co.	18 566	19 283	
61 540	The Hershey Co.	8 700	8 783	
48 634	The J.M. Smucker Company	6 964	7 596	
45 809	The Kraft Heinz Co.	5 230	4 479	
318 774	The Procter & Gamble Co.	35 700	36 874	
39 680	Treehouse Foods Inc.	2 954	2 467	
77 465	Walgreens Boots Alliance Inc.	8 568	7 071	
391 100	Wal-Mart Stores, Inc.	35 884	48 611	
		414 581	439 147	<b>8.2</b>
<b>Energy</b>				
71 442	Andeavor	7 979	10 278	
39 754	Antero Resources Corp.	1 012	949	
5 320	Apache Corp.	305	282	
237 295	Cabot Oil & Gas Corp.	8 017	8 531	
658 829	Callon Petroleum Co.	10 373	10 062	
274 820	Chevron Corp.	38 578	43 318	
15 970	Concho Resources Inc.	2 497	3 016	
223 087	ConocoPhillips	13 769	15 396	
11 210	Core Laboratories N.V.	1 544	1 544	
70 020	Delek US Holdings Inc.	1 741	3 075	
13 640	Devon Energy Corporation	658	710	
27 370	Diamondback Energy Inc.	3 829	4 344	
63 135	EOG Resources Inc.	8 921	8 567	
199 251	EP Energy Corp.	1 497	591	
575 498	Exxon Mobil Corp.	62 286	60 617	
106 240	Gulfport Energy Corp.	3 773	1 704	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Energy (cont.)</b>				
122 502	Marathon Oil Corp.	\$ 1 879	\$ 2 607	
475	Marathon Petroleum Corp.	40	39	
67 024	Murphy Oil Corp.	2 530	2 616	
43 350	Oceaneering International Inc.	2 273	1 152	
6 403	Par Pacific Holdings Inc.	155	155	
154 217	Parsley Energy Inc.	5 357	5 707	
59 618	Phillips 66 Company	6 528	7 586	
28 251	Pioneer Natural Resources Co.	5 804	6 137	
117 188	QEP Resources Inc.	2 496	1 410	
362 523	Ring Energy Inc.	5 789	6 334	
135 320	RSP Permian Inc.	5 920	6 920	
40 383	Schlumberger Ltd.	4 637	3 426	
248 041	Valero Energy Corp.	19 768	28 661	
		229 955	245 734	<b>4.6</b>
<b>Financials</b>				
16 200	Affiliated Managers Group Inc.	3 603	4 181	
40 342	Aflac Inc.	3 775	4 454	
29 628	Allstate Corp.	2 598	3 900	
215 007	Ally Financial Inc.	5 723	7 881	
17 030	American Financial Group Inc.	1 843	2 323	
463 522	American International Group Inc.	37 653	34 723	
2 570	American National Insurance Co.	400	413	
70 917	Ameriprise Financial Inc.	14 908	15 108	
99 931	Amerisafe Inc.	4 855	7 738	
372 179	AmTrust Financial Services Inc.	8 552	4 711	
60 110	Aon Plc.	10 194	10 126	
53 218	Artisan Partners Asset Management Inc., Class A	2 461	2 642	
150 240	Assured Guaranty Ltd.	8 040	6 396	
14 840	Bancfirst Corp.	477	954	
1 970 003	Bank of America Corp.	45 655	73 137	
4 063	Bank of New York Mellon Corp.	287	275	
193 853	Berkshire Hathaway Inc., Class B	41 663	48 412	
9 494	BlackRock Inc.	3 973	6 136	
67 490	Brown & Brown Inc.	2 539	4 367	
67 386	Capital One Financial Corp.	7 118	8 435	
205 769	Chemical Financial Corp.	11 777	13 830	
55 056	Chubb Ltd.	9 009	10 120	
96 430	CIT Group Inc.	5 706	5 967	
643 210	Citigroup Inc.	46 579	60 174	
347 834	Citizens Financial Group Inc.	13 982	18 355	
24 286	CME Group Inc., Class A	3 256	4 460	
17 259	CNA Financial Corp.	998	1 152	
88 720	CoBiz Financial Inc.	1 560	2 229	
43 110	Community Bank System Inc.	1 951	2 912	
580 925	Compass Diversified Holdings	11 662	12 377	
26 666	Evercore Inc., Class A	2 458	3 017	
16 413	Factset Research Systems Inc.	2 683	3 977	
44 250	First Busey Corp.	1 755	1 665	
26 315	Franklin Resources Inc.	1 430	1 433	
31 070	Green Dot Corp., Class A	1 830	2 353	
94 570	Hanmi Financial Corp.	3 206	3 608	
61 992	Hartford Financial Services Inc.	3 948	4 387	
88 360	Heritage Financial Corp.	2 184	3 421	
113 760	Invesco Ltd.	4 651	5 225	
16 600	iShares Russell 2000 Fund	3 069	3 181	
49 020	James River Group Holdings Ltd.	2 527	2 465	
401 796	JPMorgan Chase & Co.	38 663	54 142	

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE  
ALL-CAP EQUITY FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials (cont.)</b>				
16 667	Lazard Ltd.	\$ 974	\$ 1 100	
31 583	LegacyTexas Financial Group Inc.	1 238	1 676	
37 103	Legg Mason Inc.	1 880	1 958	
23 846	Lincoln National Corp.	1 964	2 304	
2 670	MarketAxess Holdings Inc.	580	677	
26 300	Marsh & McLennan Companies Inc.	2 299	2 691	
52 700	Mercantile Bank Corp.	1 551	2 343	
36 536	Moody's Corp.	7 004	6 781	
260 149	Morgan Stanley	13 524	17 158	
42 468	MSCI Inc.	5 981	6 755	
528 301	National General Holdings Corp.	13 647	13 042	
358 792	Navient Corp.	6 741	6 007	
125 994	New Residential Investment Corp.			
	Real Estate Investment Trust	2 563	2 832	
15 410	Northrim Bancorp Inc.	517	656	
18 198	OFG Bancorp	293	215	
138 512	Pacific Premier Bancorp Inc.	4 841	6 964	
10 770	Pinnacle Financial Partners Inc.	812	898	
60 222	PNC Bank Corp.	8 045	10 929	
67 214	Popular Inc.	3 386	2 998	
44 690	ProAssurance Corp.	2 520	3 210	
60 333	Prudential Financial Inc.	7 614	8 721	
43 730	Raymond James Financial Corp.	2 309	4 909	
400 336	Regions Financial Corp.	5 355	8 696	
11 610	Reinsurance Group of America Inc.	1 699	2 276	
37 150	RLI Corp.	2 800	2 833	
166 605	S&P Global Inc.	27 619	35 492	
31 456	Safeguard Scientifics Inc.	655	443	
62 068	Signature Bank	10 488	10 709	
32 357	State Street Corp.	3 516	3 971	
91 090	Sterling Bancorp	1 873	2 817	
28 196	Suntrust Banks Inc.	1 548	2 289	
23 763	SVB Financial Group	4 813	6 983	
224 570	Synchrony Financial	8 675	10 899	
57 090	Synovus Financial Corp.	2 368	3 440	
33 510	T. Rowe Price Group Inc.	3 113	4 420	
117 820	Texas Capital Bancshares Inc.	10 742	13 166	
183 186	The Charles Schwab Corporation	9 284	11 829	
77 745	The Goldman Sachs Group Inc.	19 911	24 919	
3 731	The Nasdaq Stock Market Inc.	342	360	
144 478	U.S. Bancorp	9 873	9 737	
166 620	United Community Banks Inc.	4 711	5 894	
134 752	Voya Financial Inc.	6 470	8 379	
431 346	Wells Fargo & Company	28 377	32 936	
60 881	Willis Towers Watson Plc.	12 362	11 532	
33 720	Wintrust Financial Corp.	3 232	3 490	
45 523	XL Group Ltd.	2 495	2 012	
		653 805	791 108	<b>14.8</b>
<b>Health Care</b>				
187 310	Abbott Laboratories	13 260	13 450	
214 678	AbbVie Inc.	21 599	26 139	
27 650	Abiomed Inc.	3 060	6 514	
24 907	Agilent Technologies Inc.	2 143	2 096	
47 681	Alexion Pharmaceuticals Inc.	7 601	7 170	
17 421	Align Technology Inc.	2 208	4 867	
77 402	Allergan plc	17 043	15 923	
37 303	AmerisourceBergen Corp.	4 538	4 305	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Health Care (cont.)</b>				
56 734	Amgen Inc.	\$ 12 173	\$ 12 402	
61 463	Anthem Inc.	13 340	17 388	
87 419	Baxter International Inc.	5 888	7 103	
12 200	Becton Dickinson & Co.	2 726	3 283	
33 499	Biogen Inc.	12 225	13 414	
70 704	Bioverativ Inc.	4 858	4 792	
153 000	Boston Scientific Corp.	4 611	4 768	
302 579	Bristol-Myers Squibb Co.	22 656	23 321	
37 199	Cardinal Health Inc.	2 762	2 865	
69 300	Celgene Corp.	10 795	9 092	
296 971	Centene Corp.	30 296	37 678	
30 487	Cerner Corp.	2 535	2 583	
75 693	Cigna Corp.	18 357	19 332	
14 760	Cooper Co. Inc.	2 718	4 043	
58 278	Danaher Corp.	6 500	6 801	
33 770	DaVita Inc.	3 026	3 068	
18 039	Eagle Pharmaceuticals Inc.	1 372	1 211	
123 774	Eli Lilly & Co.	13 097	13 149	
80 350	Emergent Biosolutions Inc.	3 444	4 693	
134 123	Envision Healthcare Corp.	8 460	5 827	
210 164	Exelixis Inc.	7 131	8 031	
289 315	Gilead Sciences Inc.	29 786	26 059	
188 210	Globus Medical Inc., Class A	6 282	9 723	
140 706	HCA Healthcare Inc.	14 558	15 540	
56 560	HealthEquity Inc.	3 178	3 317	
46 220	Henry Schein Inc.	2 646	4 061	
8 300	Humana Inc.	2 303	2 589	
49 919	IDEXX Laboratories Inc.	5 999	9 813	
19 399	Innoviva Inc.	335	346	
19 521	Intuitive Surgical Inc.	8 575	8 955	
128 840	Invacare Corp.	2 427	2 729	
62 145	Jazz Pharmaceuticals Plc.	10 967	10 514	
520 023	Johnson & Johnson	76 806	91 412	
37 100	Laboratory Corp.			
	of America Holdings	6 340	7 439	
19 220	Masimo Corp.	1 668	2 049	
9 200	McKesson Corp.	1 722	1 804	
56 263	Medtronic Plc.	5 111	5 713	
466 129	Merck & Co. Inc.	37 287	33 011	
26 168	Mettler-Toledo International Inc.	15 179	20 383	
37 845	MiMedx Group Inc.	525	602	
62 638	Molina Healthcare Inc.	5 115	6 037	
630 020	Pfizer Inc.	29 169	28 712	
4 000	Regeneron Pharmaceutical	2 551	1 891	
34 310	STERIS Plc.	3 359	3 772	
6 050	Teleflex Inc.	1 088	1 893	
54 256	Thermo Fisher Scientific Inc.	10 316	12 958	
50 138	United Therapeutics Corp.	8 682	9 326	
255 667	UnitedHealth Group Incorporated	58 141	70 948	
70 310	Varian Medical Systems Inc.	8 137	9 826	
53 239	Veeva Systems Inc.	2 850	3 699	
46 177	Vertex Pharmaceuticals Inc.	8 423	8 699	
21 143	Waters Corp.	4 088	5 136	
39 210	WellCare Health Plans Inc.	6 106	9 916	
41 042	West Pharmaceutical Services Inc.	1 997	5 090	
		642 138	719 270	<b>13.5</b>

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE  
ALL-CAP EQUITY FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets	Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Industrials</b>					<b>Industrials (cont.)</b>				
85 645	3M Co.	\$ 23 380	\$ 25 384		28 330	MSC Industrial Direct Co.	\$ 2 544	\$ 3 443	
562 290	ACCO Brands Corp.	6 103	8 623		76 590	NCI Building Systems Inc.	1 663	1 858	
16 940	Acuity Brands Inc.	4 760	3 748		246 969	NN Inc.	7 189	8 568	
87 486	Alaska Airgroup Inc.	8 881	8 084		16 800	Northrop Grumman Corp.	4 591	6 486	
21 662	Allegion Plc.	2 293	2 167		30 937	Old Dominion Freight Line Inc.	4 942	5 116	
31 616	Allison Transmission Holdings Inc.	1 416	1 712		37 181	Oshkosh Truck Corp.	3 838	4 248	
43 527	Ametek Inc.	2 190	3 966		182 100	Patrick Industries Inc.	6 781	15 897	
80 621	Astronics Corp.	3 065	4 203		75 836	Pentair Plc.	6 115	6 732	
50 300	AZZ Inc.	1 708	3 236		41 097	Raytheon Company	7 202	9 706	
129 600	BMC Stock Holdings Inc.	3 844	4 122		171 845	Republic Services Inc.	13 918	14 604	
192 486	Boeing Co.	40 911	71 379		38 220	Robert Half International Inc.	2 308	2 668	
63 879	BVX Technologies Inc.	4 886	4 857		1 789	Rockwell Automation Inc.	422	442	
25 285	Carlisle Cos. Inc.	3 432	3 612		139 635	Rollins Inc.	7 966	8 167	
104 660	Casella Waste Systems Inc., Class A	1 228	3 028		15 800	Roper Technologies Inc.	2 701	5 147	
73 815	Caterpillar Inc.	9 839	14 625		35 757	Ryder System Inc.	3 465	3 784	
41 050	Clean Harbors Inc.	2 425	2 797		151 360	Southwest Airlines	9 201	12 455	
243 410	Columbus McKinnon Corp.	6 054	12 233		93 539	Spirit Aerosystems Holdings Inc., Class A	7 362	10 259	
20 816	Copa Holdings S.A., Class A	3 010	3 507		37 150	Spirit Airlines Inc.	2 349	2 087	
75 710	Copart Inc.	1 648	4 110		30 160	Stericycle Inc.	3 478	2 578	
61 000	CSX Corp.	2 823	4 219		15 460	Teledyne Technologies Inc.	3 567	3 519	
60 118	Cummins Engine Inc.	11 439	13 350		8 904	The Brink's Co.	884	881	
77 862	Deere & Co.	12 356	15 322		119 992	The Greenbrier Co. Inc.	5 561	8 051	
116 000	Delta Air Lines Inc.	8 314	8 165		94 899	Toro Co.	7 234	7 781	
125 760	Ducommun Inc.	3 936	4 500		58 700	Union Pacific Corp.	8 648	9 906	
58 450	Dycom Industries Inc.	7 768	8 188		34 000	United Parcel Service Inc.	4 714	5 094	
87 419	Eaton Corp Plc.	7 777	8 684		77 089	United Technologies Corp.	11 853	12 373	
48 566	Emerson Electric Co.	3 811	4 256		29 640	Verisk Analytics Inc.	2 278	3 577	
72 730	EnerSys	4 911	6 366		22 820	WABCO Holdings Inc.	4 019	4 114	
67 900	Ennis Inc.	1 599	1 771		32 460	Wabtec Corp.	3 500	3 323	
11 618	Expeditors International of Washington, Inc.	866	945		57 130	Waste Connections Inc.	2 764	5 094	
61 397	Fastenal Co.	3 335	4 221		145 812	Waste Management Inc.	13 865	15 818	
26 700	FedEx Corporation	6 517	8 375		44 000	Woodward Inc.	2 619	4 233	
138 712	Gardner Denver Holdings Inc.	4 420	5 916				489 214	614 417	<b>11.5</b>
38 993	GATX Corp.	2 701	3 048		<b>Information Technology</b>				
41 510	General Dynamics Corp.	9 365	10 623		234 479	Accenture Plc., Class A	33 796	45 132	
321 698	General Electric Company	12 271	7 066		58 200	Activision Blizzard Inc.	3 033	4 632	
28 269	Graco Inc.	1 460	1 607		65 863	Adobe Systems Inc.	10 586	14 513	
18 900	Grainger (W.W.) Inc.	4 246	5 613		1 776	Advanced Energy Industries	185	151	
11 000	HD Supply Holdings Inc.	547	553		37 970	Akamai Technologies Inc.	3 252	3 105	
77 019	Honeywell International Inc.	12 543	14 878		11 610	Alliance Data Systems Corp.	3 968	3 700	
64 445	IHS Markit Ltd.	2 548	3 659		33 100	Alphabet Inc., Class A	25 808	43 828	
21 600	Illinois Tool Works Inc.	3 228	4 531		43 677	Alphabet Inc., Class C	43 116	57 449	
84 967	Insteel Industries Inc.	1 903	3 025		15 670	Ambarella Inc.	1 265	1 157	
39 723	Interface Inc.	644	1 256		56 367	Amdocs Ltd.	4 719	4 639	
23 980	J.B. Hunt Transport Services Inc.	1 985	3 466		24 030	Ansys Inc.	2 089	4 458	
148 557	JetBlue Airways Corp.	4 070	4 172		846 363	Apple Inc.	129 832	180 109	
7 800	Kirby Corp.	691	655		491 895	Applied Materials Inc.	19 103	31 617	
27 520	Landstar System Inc.	1 704	3 601		30 758	Arista Networks Inc.	6 722	9 112	
24 456	Lennox International Inc.	6 312	6 402		53 523	ARRIS International Plc.	1 902	1 728	
92 664	Lockheed Martin Corporation	31 622	37 412		49 960	Aspen Technology Inc.	2 733	4 157	
77 166	Lydall Inc.	3 885	4 923		44 460	Autodesk Inc.	2 872	5 859	
22 844	Manpower Inc.	2 296	3 621		17 800	Automatic Data Processing Inc.	2 397	2 622	
62 616	Marten Transport Ltd.	1 027	1 598		39 200	Broadcom Ltd.	8 250	12 679	
18 450	Middleby Corp.	2 217	3 130		380 826	Cadence Design Systems Inc.	20 517	20 019	
37 710	Miller (Herman) Inc.	1 463	1 898		75 977	CDK Global Inc.	6 531	6 807	
					42 100	CDW Corp.	3 476	3 679	
					830 066	Cisco Systems Inc.	31 550	39 988	

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE  
ALL-CAP EQUITY FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Information Technology (cont.)</b>				
62 031	Cognizant Technology Solutions Corp., Class A	\$ 5 073	\$ 5 539	
51 009	Coherent Inc.	14 071	18 085	
42 520	Cohu Inc.	1 246	1 173	
64 573	Corning Inc.	2 311	2 597	
288 881	Cypress Semiconductor Corp.	5 061	5 534	
114 840	eBay Inc.	5 114	5 448	
160 094	Electronic Arts Inc.	22 508	21 149	
37 331	F5 Networks Inc.	5 856	6 158	
404 577	Facebook Inc., Class A	69 274	89 772	
38 700	Fidelity National Information Services Inc.	3 664	4 579	
22 468	Fortinet Inc.	1 192	1 234	
28 710	Global Payments Inc.	3 084	3 620	
121 706	Hewlett Packard Enterprise Co.	2 870	2 197	
324 719	HP Inc.	7 192	8 576	
6 977	IAC/InterActiveCorp.	932	1 072	
108 401	Integrated Device Technology Inc.	3 709	4 051	
443 607	Intel Corp.	19 916	25 753	
58 594	InterDigital Inc.	4 273	5 609	
209 069	International Business Machines	42 345	40 344	
225 780	Intuit Inc.	40 365	44 797	
16 532	IPG Photonics Corp.	1 398	4 450	
74 815	Jabil Inc.	2 367	2 469	
172 110	Juniper Networks Inc.	6 386	6 166	
132 148	KLA-Tencor Corp.	17 450	17 453	
111 645	Lam Research Corp.	24 738	25 838	
6 571	Leidos Holdings Inc.	464	533	
25 414	LogMeIn Inc.	3 516	3 658	
281 488	Mastercard Inc.	46 544	53 720	
17 055	Maxim Integrated Products	1 141	1 121	
18 140	MercadoLibre Inc.	2 322	7 175	
16 713	Micro Focus International Plc. ADR	815	706	
11 847	Microchip Technology Inc.	1 382	1 309	
331 639	Micron Technology Inc.	16 068	17 142	
162 113	Microsemi Corp.	9 951	10 525	
1 428 010	Microsoft Corp.	108 601	153 644	
48 992	MKS Instruments Inc.	3 590	5 820	
3 573	NetApp Inc.	168	248	
54 400	Novanta Inc.	1 102	3 419	
90 173	Nvidia Corp.	16 740	21 937	
166 759	ON Semiconductor Corporation	3 094	4 389	
442 517	Oracle Corporation	26 148	26 308	
22 102	Palo Alto Networks Inc.	3 914	4 027	
276 937	Paychex Inc.	22 077	23 699	
83 300	PayPal Holdings Inc.	4 476	7 709	
90 110	PC Connection Inc.	3 158	2 969	
119 696	QUALCOMM Inc.	8 267	9 639	
33 860	Red Hat Inc.	2 753	5 112	
72 700	Salesforce.com Inc.	7 485	9 345	
86 046	Sapiens International Corp. N.V.	1 253	1 246	
59 160	Skyworks Solutions Inc.	7 799	7 063	
15 506	Square Inc., Class A	747	676	
6 430	Stamps.com Inc.	1 197	1 520	
27 083	Symantec Corp.	1 046	955	
37 310	Synaptics Inc.	3 075	1 874	
92 177	Synchronoss Technologies Inc.	3 839	1 036	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Information Technology (cont.)</b>				
116 831	SynOpsys Inc.	\$ 9 653	\$ 12 518	
36 839	Take-Two Interactive Software Inc.	1 900	5 084	
48 929	Tessco Technologies Inc.	1 053	1 239	
134 893	Texas Instruments Inc.	12 589	17 713	
20 888	Tyler Technologies Inc.	3 163	4 649	
64 490	Verisign Inc.	7 011	9 279	
169 562	Visa Inc., Class A	17 293	24 355	
41 163	Vishay Precision Group Inc.	872	1 301	
295 779	Western Digital Corp.	31 077	29 569	
31 770	WEX Inc.	3 083	5 641	
146 028	Xerox Corp.	6 130	5 351	
52 549	Zebra Technologies Corp.	6 129	6 857	
		1 092 782	1 366 883	<b>25.6</b>
<b>Materials</b>				
16 593	Air Products & Chemicals Inc.	3 190	3 424	
67 281	Alcoa Corp.	3 782	4 556	
44 450	Aptargroup Inc.	3 406	4 822	
22 710	Avery Dennison Corp.	2 281	3 279	
80 104	Berry Plastics Group Inc.	5 953	5 908	
59 106	Crown Holdings Inc.	4 002	4 179	
17 441	Domtar Corp.	898	1 086	
215 882	DowDuPont Inc.	17 999	19 355	
27 500	Ecolab Inc.	4 466	4 639	
85 720	Ferro Corp.	1 559	2 542	
54 970	Fuller (H.B.) Co.	3 591	3 722	
54 625	FutureFuel Corp.	789	967	
56 610	Huntsman Corp.	2 246	2 369	
18 600	Kaiser Aluminum Corp.	2 118	2 498	
89 688	Koppers Holdings Inc.	2 640	5 738	
172 639	Louisiana-Pacific Corp.	5 937	5 699	
84 943	LyondellBasell Industries N.V.	10 163	11 779	
28 200	Monsanto Co.	3 995	4 142	
78 365	Newmont Mining Corporation	3 013	3 696	
508 387	Omnova Solutions Inc.	4 776	6 390	
2 013	Packaging Corp. of America	279	305	
32 280	Reliance Steel & Aluminum Co.	2 903	3 481	
12 000	Sherwin-Williams Co.	4 333	6 185	
147 708	Steel Dynamics Inc.	5 798	8 011	
37 122	The Chemours Co.	1 657	2 336	
67 880	Universal Stainless & Alloy	2 037	1 828	
32 717	Westlake Chemical Corporation	4 170	4 381	
47 659	WestRock Co.	3 119	3 788	
		111 100	131 105	<b>2.5</b>
<b>Real Estate</b>				
18 140	Alexandria Real Estate Equities Inc.	2 515	2 978	
26 000	American Tower Corp.			
	Real Estate Investment Trust	4 319	4 664	
48 940	Apartment Investment & Management Co.	2 759	2 689	
46 191	Apple Hospitality Inc. Real Estate Investment Trust	1 129	1 139	
22 571	AvalonBay Communities Inc. Real Estate Investment Trust	5 167	5 062	
13 590	Boston Properties Inc.	2 123	2 221	
125 057	Brixmor Property Group Inc. Real Estate Investment Trust	3 012	2 933	

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



**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE  
ALL-CAP EQUITY FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Real Estate (cont.)</b>				
243 130	CBL & Associates Properties Inc.	\$ 3 568	\$ 1 730	
81 460	Columbia Property Trust Inc. Real Estate Investment Trust	2 354	2 350	
46 530	Community Healthcare Trust Inc. Real Estate Investment Trust	1 440	1 644	
31 003	CoreCivic Inc. Real Estate Investment Trust	986	877	
111 046	Cousins Properties Inc. Real Estate Investment Trust	1 290	1 291	
44 700	Crown Castle International Corp. Real Estate Investment Trust	5 346	6 241	
38 820	CubeSmart Real Estate Investment Trust	1 403	1 411	
428 690	DiamondRock Hospitality Co. Real Estate Investment Trust	6 052	6 084	
34 128	Digital Realty Trust Inc.	5 310	4 887	
154 957	Duke Realty Corporation Real Estate Investment Trust	5 640	5 300	
8 730	EastGroup Properties Inc. Real Estate Investment Trust	751	970	
9 300	Equinix Inc. Real Estate Investment Trust	5 281	5 300	
23 215	Equity Residential Properties Trust	1 850	1 861	
31 015	Extra Space Storage Inc. Real Estate Investment Trust	3 217	3 409	
104 231	First Industrial Realty Trust Inc. Real Estate Investment Trust	3 939	4 123	
18 508	Gaming and Leisure Properties Inc. Real Estate Investment Trust	865	861	
111 000	Gramercy Property Trust Real Estate Investment Trust	3 913	3 720	
157 211	HCP Inc. Real Estate Investment Trust	6 322	5 154	
187 081	Healthcare Trust of America Inc. Real Estate Investment Trust	7 574	7 068	
36 694	Hersha Hospitality Trust Real Estate Investment Trust	917	803	
40 850	Highwoods Properties Inc.	2 666	2 614	
234 213	Hospitality Properties Trust	8 666	8 788	
81 990	Host Marriott Corp.	1 877	2 046	
250 652	Invitation Homes Inc. Real Estate Investment Trust	7 302	7 431	
28 951	Iron Mountain Inc. Real Estate Investment Trust	1 477	1 373	
5 483	Lamar Advertising Co., Class A Real Estate Investment Trust	485	512	
71 330	LaSalle Hotel Properties	2 713	2 518	
39 868	Lexington Real Estate Investment Trust	443	484	
42 230	National Storage Affiliates Trust Real Estate Investment Trust	1 301	1 447	
37 314	Omega Healthcare Investors Inc. Real Estate Investment Trust	1 548	1 292	
62 910	Park Hotels & Resorts Inc. Real Estate Investment Trust	2 151	2 275	
109 140	Physicians Realty Trust Real Estate Investment Trust	2 815	2 468	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Real Estate (cont.)</b>				
30 456	Piedmont Office Realty Trust Inc., Class A Real Estate Investment Trust	\$ 787	\$ 751	
15 281	Potlatch Corp. Real Estate Investment Trust	948	958	
2 339	ProLogis Inc. Trust	199	190	
44 636	Senior Housing Properties Trust Real Estate Investment Trust	1 104	1 074	
2 599	Simon Property Group Inc.	541	561	
136 711	Spirit Realty Capital Inc. Real Estate Investment Trust	1 818	1 474	
31 540	STAG Industrial Inc. Real Estate Investment Trust	894	1 084	
26 520	Terreno Realty Corp. Real Estate Investment Trust	892	1 168	
63 800	UMH Properties Inc. Real Estate Investment Trust	1 241	1 195	
41 527	Ventas Inc. Real Estate Investment Trust	3 431	3 132	
518 183	VEREIT Inc. Real Estate Investment Trust	5 662	5 074	
61 835	Washington Prime Group Inc. Real Estate Investment Trust	665	553	
32 639	Welltower Inc. Real Estate Investment Trust	3 031	2 616	
46 860	Weyerhaeuser Company Ltd.	1 962	2 077	
		145 661	141 925	2.7
<b>Telecommunication Services</b>				
597 728	AT&T Inc.	31 696	29 231	
84 361	Consolidated Communications Holdings Inc.	1 882	1 293	
152 936	Sprint Corp.	1 586	1 132	
35 600	T-Mobile US Inc.	2 461	2 842	
467 608	Verizon Communications Inc.	28 438	31 167	
216 400	Vonage Holdings Corp.	2 000	2 766	
		68 063	68 431	1.3

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE  
ALL-CAP EQUITY FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Utilities</b>				
331 536	AES Corp.	\$ 4 914	\$ 4 513	
47 062	Ameren Corporation	3 403	3 490	
322 903	Centerpoint Energy Inc.	11 632	11 517	
105 245	CMS Energy Corp.	6 008	6 257	
14 536	Consolidated Edison Inc.	1 419	1 553	
78 580	Dominion Energy Inc.	7 961	8 007	
60 039	DTE Energy Company	7 494	8 263	
49 246	Duke Energy Corp.	5 084	5 207	
164 440	Edison International	15 562	13 072	
98 752	FirstEnergy Corporation	4 004	3 801	
45 259	NextEra Energy Inc.	6 883	8 888	
33 280	NorthWestern Corp.	2 242	2 498	
105 450	NRG Energy Inc.	3 462	3 775	
246 730	PG&E Corporation	20 764	13 904	
64 370	Portland General Electric Co.	3 292	3 688	
115 110	Spire Inc.	9 256	10 874	
176 098	Vistra Energy Corp.	3 925	4 055	
50 860	Westar Energy Inc.	3 477	3 376	
		120 782	116 738	<b>2.2</b>
<b>TOTAL UNITED STATES EQUITIES</b>		4 531 908	5 301 313	<b>99.4</b>
<b>SHORT-TERM INVESTMENTS*</b>		18 347	17 991	<b>0.3</b>
<b>TOTAL INVESTMENTS</b>		<u>\$4 550 255</u>	5 319 304	<b>99.7</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			17 643	<b>0.3</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<u>\$5 336 947</u>	<b>100.0</b>

\* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.28% to 1.60% and mature between January 2, 2018 and January 12, 2018.



**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE  
ALL-CAP EQUITY FUND**
**Statements of Financial Position**
*(in \$000s except per unit amounts)*

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 5 319 304	\$ 4 676 664
Cash	14 120	19 442
Due from investment dealers	3 860	1 897
Subscriptions receivable	206	584
Dividends receivable, interest accrued and other assets	4 730	5 531
<b>TOTAL ASSETS</b>	<b>5 342 220</b>	<b>4 704 118</b>
<b>LIABILITIES</b>		
Due to investment dealers	4 932	4 552
Redemptions payable	48	571
Accounts payable and accrued expenses	293	250
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>5 273</b>	<b>5 373</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 5 336 947</b>	<b>\$ 4 698 745</b>
Investments at cost	\$ 4 550 255	\$ 4 066 294
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 3 479</b>	<b>\$ 2 427</b>
<b>ADVISOR SERIES</b>	<b>\$ 760</b>	<b>\$ 858</b>
<b>SERIES D</b>	<b>\$ 36 102</b>	<b>\$ 31 493</b>
<b>SERIES F</b>	<b>\$ 3 877</b>	<b>\$ 641</b>
<b>SERIES O</b>	<b>\$ 5 292 729</b>	<b>\$ 4 663 326</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 17.07</b>	<b>\$ 16.46</b>
<b>ADVISOR SERIES</b>	<b>\$ 17.10</b>	<b>\$ 16.49</b>
<b>SERIES D</b>	<b>\$ 17.85</b>	<b>\$ 17.17</b>
<b>SERIES F</b>	<b>\$ 17.84</b>	<b>\$ 17.18</b>
<b>SERIES O</b>	<b>\$ 17.46</b>	<b>\$ 16.80</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 97 555	\$ 90 064
Interest for distribution purposes	423	60
Securities lending revenue (see note 7 in the generic notes)	498	297
Net realized gain (loss) on investments	406 724	155 747
Net gain (loss) on foreign currencies and other net assets	(29)	1 489
Change in unrealized gain (loss) on investments	158 679	163 699
<b>TOTAL INCOME (LOSS)</b>	<b>663 850</b>	<b>411 356</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	365	336
Administration fees	2 526	2 109
Independent Review Committee costs	3	2
GST/HST	283	239
Transaction costs	2 787	3 109
Withholding tax	13 485	11 911
<b>TOTAL EXPENSES</b>	<b>19 449</b>	<b>17 706</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 644 401</b>	<b>\$ 393 650</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 338</b>	<b>\$ 129</b>
<b>ADVISOR SERIES</b>	<b>\$ 79</b>	<b>\$ 49</b>
<b>SERIES D</b>	<b>\$ 3 969</b>	<b>\$ 1 744</b>
<b>SERIES F</b>	<b>\$ 269</b>	<b>\$ 35</b>
<b>SERIES O</b>	<b>\$ 639 746</b>	<b>\$ 391 693</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 1.82</b>	<b>\$ 0.85</b>
<b>ADVISOR SERIES</b>	<b>\$ 1.71</b>	<b>\$ 0.93</b>
<b>SERIES D</b>	<b>\$ 2.12</b>	<b>\$ 0.94</b>
<b>SERIES F</b>	<b>\$ 2.20</b>	<b>\$ 1.14</b>
<b>SERIES O</b>	<b>\$ 2.28</b>	<b>\$ 1.51</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 644 401	\$ 393 650
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(403 589)	(152 701)
Change in unrealized loss (gain) on investments	(158 679)	(163 699)
(Increase) decrease in accrued receivables	801	(1 486)
Increase (decrease) in accrued payables	43	28
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(6 545 502)	(6 858 138)
Proceeds from sale and maturity of investments	6 463 547	6 388 835
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>1 022</b>	<b>(393 511)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	253 970	622 023
Cash paid on redemption of redeemable units	(260 102)	(230 600)
Distributions paid to holders of redeemable units	(212)	(103)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (6 344)</b>	<b>\$ 391 320</b>
Net increase (decrease) in cash for the period	(5 322)	(2 191)
Cash (bank overdraft), beginning of period	19 442	21 633
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 14 120</b>	<b>\$ 19 442</b>
Interest received (paid)	\$ 410	\$ 58
Dividends received, net of withholding taxes	\$ 84 884	\$ 76 669

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 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 2 427</b>	<b>\$ 2 558</b>	<b>\$ 858</b>	<b>\$ 870</b>	<b>\$ 31 493</b>	<b>\$ 34 522</b>	<b>\$ 641</b>	<b>\$ 459</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>338</b>	<b>129</b>	<b>79</b>	<b>49</b>	<b>3 969</b>	<b>1 744</b>	<b>269</b>	<b>35</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	<b>1 060</b>	149	<b>98</b>	254	<b>5 800</b>	5 031	<b>3 400</b>	302
Reinvestments of distributions to holders of redeemable units	<b>248</b>	84	<b>48</b>	23	<b>2 743</b>	1 299	<b>285</b>	19
Redemption of redeemable units	<b>(345)</b>	(409)	<b>(268)</b>	(309)	<b>(5 112)</b>	(9 767)	<b>(421)</b>	(148)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>963</b>	<b>(176)</b>	<b>(122)</b>	<b>(32)</b>	<b>3 431</b>	<b>(3 437)</b>	<b>3 264</b>	<b>173</b>
Distributions from net income	—	—	—	—	<b>(229)</b>	(193)	<b>(33)</b>	(5)
Distributions from net gains	<b>(249)</b>	(84)	<b>(55)</b>	(29)	<b>(2 562)</b>	(1 143)	<b>(264)</b>	(21)
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(249)</b>	<b>(84)</b>	<b>(55)</b>	<b>(29)</b>	<b>(2 791)</b>	<b>(1 336)</b>	<b>(297)</b>	<b>(26)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>1 052</b>	<b>(131)</b>	<b>(98)</b>	<b>(12)</b>	<b>4 609</b>	<b>(3 029)</b>	<b>3 236</b>	<b>182</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 3 479</b>	<b>\$ 2 427</b>	<b>\$ 760</b>	<b>\$ 858</b>	<b>\$ 36 102</b>	<b>\$ 31 493</b>	<b>\$ 3 877</b>	<b>\$ 641</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 4 663 326</b>	<b>\$ 3 875 711</b>	<b>\$ 4 698 745</b>	<b>\$ 3 914 120</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>639 746</b>	<b>391 693</b>	<b>644 401</b>	<b>393 650</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	<b>243 461</b>	615 955	<b>253 819</b>	621 691
Reinvestments of distributions to holders of redeemable units	<b>460 079</b>	237 975	<b>463 403</b>	239 400
Redemption of redeemable units	<b>(253 660)</b>	(219 980)	<b>(259 806)</b>	(230 613)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>449 880</b>	<b>633 950</b>	<b>457 416</b>	<b>630 478</b>
Distributions from net income	<b>(83 277)</b>	(74 598)	<b>(83 539)</b>	(74 796)
Distributions from net gains	<b>(376 946)</b>	(163 430)	<b>(380 076)</b>	(164 707)
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(460 223)</b>	<b>(238 028)</b>	<b>(463 615)</b>	<b>(239 503)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>629 403</b>	<b>787 615</b>	<b>638 202</b>	<b>784 625</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 5 292 729</b>	<b>\$ 4 663 326</b>	<b>\$ 5 336 947</b>	<b>\$ 4 698 745</b>

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE  
ALL-CAP EQUITY FUND**

December 31, 2017

**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 5 in the generic notes)****Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
Information Technology	25.6	21.0
Financials	14.8	15.2
Health Care	13.5	12.9
Consumer Discretionary	12.5	12.3
Industrials	11.5	11.1
Consumer Staples	8.2	8.1
Energy	4.6	6.1
Real Estate	2.7	3.2
Materials	2.5	2.9
Utilities	2.2	4.1
Telecommunication Services	1.3	2.2
Cash/Other	0.6	0.9
Total	100.0	100.0

**Currency risk (% of NAV)**

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

	December 31 2017	December 31 2016
Currency		
United States dollar	100.0	100.0
Total	100.0	100.0

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2016 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>5 301 313</b>	–	–	<b>5 301 313</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	–	–	–
<b>Short-term investments</b>	–	<b>17 991</b>	–	<b>17 991</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>5 301 313</b>	<b>17 991</b>	–	<b>5 319 304</b>
<b>% of total portfolio</b>	<b>99.7</b>	<b>0.3</b>	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>4 656 658</b>	–	–	<b>4 656 658</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	–	–	–
<b>Short-term investments</b>	–	<b>20 006</b>	–	<b>20 006</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>4 656 658</b>	<b>20 006</b>	–	<b>4 676 664</b>
<b>% of total portfolio</b>	<b>99.6</b>	<b>0.4</b>	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE  
ALL-CAP EQUITY FUND**

December 31, 2017

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

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

	Management fees*	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 <sup>†</sup>	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%.

<sup>†</sup> 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 2017	December 31 2016
<b>Units held</b>		
Series A	50	47
Advisor Series	153	142
Series D	147	136
Series F	150	138
Series O	163	149
<b>Value of all units</b>	12	10

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

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
iShares Russell 2000 Fund	0.1	—	—	—

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series A</b>		
Opening units	147	159
Issued number of units	63	10
Reinvested number of units	14	5
Redeemed number of units	(20)	(27)
Ending number of units	204	147
<b>Advisor Series</b>		
Opening units	52	54
Issued number of units	5	17
Reinvested number of units	3	1
Redeemed number of units	(16)	(20)
Ending number of units	44	52

<b>Series D</b>		
Opening units	1 834	2 062
Issued number of units	323	310
Reinvested number of units	150	75
Redeemed number of units	(285)	(613)
Ending number of units	2 022	1 834

<b>Series F</b>		
Opening units	37	28
Issued number of units	187	17
Reinvested number of units	16	1
Redeemed number of units	(23)	(9)
Ending number of units	217	37

<b>Series O</b>		
Opening units	277 653	237 032
Issued number of units	13 985	40 161
Reinvested number of units	25 739	14 016
Redeemed number of units	(14 166)	(13 556)
Ending number of units	303 211	277 653

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	2 787	100	3 109	100
Related-party brokerage commissions*	68	2	30	1
Commission arrangements <sup>†</sup>	639	23	918	30

\* See note 8 in the generic notes.

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

**PHILLIPS, HAGER & NORTH U.S. MULTI-STYLE  
ALL-CAP EQUITY FUND**

December 31, 2017

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	<b>569 136</b>	361 352
Fair value of collateral received	<b>580 518</b>	368 579

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	<b>756</b>	<b>100</b>	489	100
RBC IS (paid)	<b>(204)</b>	<b>(27)</b>	(171)	(35)
Tax withheld	<b>(54)</b>	<b>(7)</b>	(21)	(4)
Fund revenue	<b>498</b>	<b>66</b>	297	61

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

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

	December 31 2017	December 31 2016
Phillips, Hager & North U.S. Multi-Style		
All-Cap Equity Class	<b>0.7</b>	0.7
RBC Managed Payout Solution	<b>2.5</b>	3.1
RBC Managed Payout Solution – Enhanced	<b>3.0</b>	3.3
RBC Managed Payout Solution – Enhanced Plus	<b>3.3</b>	3.9
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	<b>3.4</b>	3.0
RBC Select Balanced Portfolio	<b>31.6</b>	29.4
RBC Select Choices Aggressive Growth Portfolio	<b>0.3</b>	0.3
RBC Select Choices Balanced Portfolio	<b>0.2</b>	0.2
RBC Select Choices Conservative Portfolio	<b>0.1</b>	0.1
RBC Select Choices Growth Portfolio	<b>0.5</b>	0.5
RBC Select Conservative Portfolio	<b>26.6</b>	26.7
RBC Select Growth Portfolio	<b>11.4</b>	10.9

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

	December 31 2017	December 31 2016
RBC Select Very Conservative Portfolio	<b>14.0</b>	15.5
RBC Target 2020 Education Fund	<b>0.2</b>	0.3
RBC Target 2025 Education Fund	<b>0.7</b>	0.8
RBC Target 2030 Education Fund	<b>0.5</b>	0.4
RBC Target 2035 Education Fund	–	–
Total	<b>99.0</b>	99.1

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH U.S. EQUITY FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
<b>Consumer Discretionary</b>				
12 722	Amazon.com, Inc.	\$ 9 890	\$ 18 702	
36 137	Best Buy Co. Inc.	2 978	3 110	
10 756	Charter Communications Inc.	4 496	4 545	
152 374	Comcast Corp., Class A	7 412	7 676	
30 889	D.R. Horton Inc.	1 387	1 983	
30 889	Dollar Tree Inc.	3 219	4 167	
38 377	Home Depot Inc.	7 533	9 152	
31 372	Marriott International Inc., Class A	3 492	5 352	
29 538	McDonald's Corp.	6 194	6 396	
12 548	Mohawk Industries Inc.	3 514	4 352	
26 628	Nike Inc.	2 016	2 095	
20 593	PVH Corp.	2 958	3 552	
64 535	Starbucks Corp.	4 757	4 659	
31 382	The Walt Disney Company	4 431	4 252	
		64 277	79 993	<b>13.8</b>
<b>Consumer Staples</b>				
18 877	Colgate-Palmolive Company	1 926	1 792	
30 905	Conagra Brands Inc.	1 810	1 463	
8 629	Costco Wholesale Corp.	1 762	2 020	
17 250	Coty Inc.	421	431	
20 813	CVS Health Corp.	2 336	1 898	
14 881	Estée Lauder Companies Inc., Class A	1 567	2 380	
12 258	McCormick & Co. Inc.	1 540	1 570	
85 255	Mondelez International Inc.	5 070	4 587	
28 695	PepsiCo Inc.	2 194	4 326	
31 277	Philip Morris International Inc.	4 336	4 154	
56 583	The Coca-Cola Co.	3 270	3 268	
10 109	The Hershey Co.	1 386	1 443	
11 766	The Kraft Heinz Co.	1 378	1 150	
54 255	The Procter & Gamble Co.	5 994	6 276	
36 459	Tyson Foods Inc.	3 096	3 716	
18 299	Walgreens Boots Alliance Inc.	2 038	1 670	
29 950	Wal-Mart Stores, Inc.	2 859	3 723	
		42 983	45 867	<b>7.9</b>
<b>Energy</b>				
57 365	Chevron Corp.	8 388	9 042	
66 000	ConocoPhillips	4 636	4 556	
31 372	EOG Resources Inc.	4 143	4 257	
100 639	Exxon Mobil Corp.	10 765	10 600	
66 000	Halliburton Co.	4 083	4 054	
23 167	Marathon Petroleum Corp.	1 680	1 921	
17 242	Pioneer Natural Resources Co.	3 567	3 746	
		37 262	38 176	<b>6.6</b>
<b>Financials</b>				
36 607	Aflac Inc.	3 501	4 041	
34 962	American International Group Inc.	2 823	2 619	
284 202	Bank of America Corp.	6 393	10 551	
51 705	Berkshire Hathaway Inc., Class B	11 265	12 913	
2 518	BlackRock Inc.	1 302	1 627	
12 757	Capital One Financial Corp.	1 409	1 597	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials (cont.)</b>				
9 732	Chubb Ltd.	\$ 1 584	\$ 1 789	
54 523	Citigroup Inc.	3 922	5 101	
61 445	Citizens Financial Group Inc.	2 863	3 242	
6 697	CME Group Inc., Class A	1 038	1 230	
25 273	Discover Financial Services	1 985	2 444	
82 242	JPMorgan Chase & Co.	9 244	11 082	
23 004	MetLife Inc.	1 519	1 462	
49 878	Morgan Stanley	3 240	3 290	
8 675	PNC Bank Corp.	1 451	1 574	
16 505	Prudential Financial Inc.	1 872	2 386	
11 683	State Street Corp.	1 335	1 434	
29 278	Suntrust Banks Inc.	1 593	2 377	
50 212	The Charles Schwab Corporation	2 909	3 242	
12 426	The Goldman Sachs Group Inc.	3 939	3 983	
17 622	The Nasdaq Stock Market Inc.	1 688	1 702	
35 224	The Progressive Corp.	1 884	2 494	
32 698	U.S. Bancorp	2 243	2 204	
54 129	Wells Fargo & Company	3 968	4 133	
		74 970	88 517	<b>15.2</b>
<b>Health Care</b>				
82 463	Abbott Laboratories	4 419	5 921	
57 098	AbbVie Inc.	5 349	6 952	
17 927	Anthem Inc.	3 585	5 072	
41 712	Bristol-Myers Squibb Co.	3 523	3 215	
35 159	Celgene Corp.	3 758	4 613	
35 852	Danaher Corp.	3 908	4 184	
46 610	Eli Lilly & Co.	4 652	4 952	
32 266	HCA Healthcare Inc.	3 346	3 564	
64 237	Johnson & Johnson	6 546	11 292	
56 562	Medtronic Plc.	2 682	5 744	
44 611	Pfizer Inc.	1 884	2 033	
20 517	Thermo Fisher Scientific Inc.	3 411	4 900	
31 858	UnitedHealth Group Incorporated	9 120	8 841	
11 233	Vertex Pharmaceuticals Inc.	2 178	2 116	
47 505	Zoetis Inc.	3 376	4 305	
		61 737	77 704	<b>13.4</b>
<b>Industrials</b>				
22 652	3M Co.	5 751	6 714	
11 701	Boeing Co.	3 836	4 339	
12 973	Caterpillar Inc.	1 813	2 570	
36 749	Eaton Corp Plc.	3 371	3 650	
29 007	General Dynamics Corp.	5 607	7 423	
30 364	Honeywell International Inc.	4 058	5 865	
28 551	Ingersoll-Rand Plc., Class A	2 118	3 201	
14 696	Parker Hannifin Corp.	3 292	3 687	
17 200	Republic Services Inc.	1 462	1 462	
16 134	Rockwell Automation Inc.	3 109	3 984	
49 263	Southwest Airlines	2 705	4 054	
17 784	Stanley Black & Decker Inc.	3 177	3 794	
41 791	Union Pacific Corp.	4 865	7 052	
9 360	United Rentals Inc.	1 406	2 023	
27 579	United Technologies Corp.	4 501	4 426	
		51 071	64 244	<b>11.1</b>

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

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Information Technology</b>				
12 533	Accenture Plc., Class A	\$ 2 176	\$ 2 412	
18 354	Activision Blizzard Inc.	1 525	1 461	
10 030	Adobe Systems Inc.	1 214	2 210	
14 459	Alphabet Inc., Class C	10 659	19 018	
117 599	Apple Inc.	14 495	25 026	
22 858	Applied Materials Inc.	1 335	1 469	
12 230	Broadcom Ltd.	2 742	3 956	
139 590	Cisco Systems Inc.	5 571	6 725	
12 042	Cognizant Technology Solutions Corp., Class A	946	1 075	
48 204	eBay Inc.	2 230	2 287	
47 812	Facebook Inc., Class A	6 557	10 609	
122 801	Intel Corp.	6 077	7 129	
14 368	International Business Machines	2 752	2 773	
3 196	Lam Research Corp.	310	740	
184 352	Microsoft Corp.	9 349	19 835	
5 663	Nvidia Corp.	1 231	1 378	
83 624	Oracle Corporation	4 671	4 971	
15 653	PayPal Holdings Inc.	1 499	1 449	
20 768	QUALCOMM Inc.	1 460	1 672	
24 287	Salesforce.com Inc.	2 613	3 122	
47 505	Texas Instruments Inc.	4 722	6 238	
49 022	Visa Inc., Class A	4 748	7 041	
24 184	Xilinx Inc.	1 857	2 050	
		90 739	134 646	<b>23.2</b>
<b>Materials</b>				
10 156	Air Products & Chemicals Inc.	1 846	2 095	
62 372	DowDuPont Inc.	5 275	5 592	
12 478	Eastman Chemical Company	1 340	1 453	
10 984	LyondellBasell Industries N.V.	1 544	1 523	
19 092	Nucor Corp.	1 561	1 526	
11 261	WestRock Co.	700	895	
		12 266	13 084	<b>2.2</b>
<b>Real Estate</b>				
30 665	CBRE Group Inc.	1 390	1 670	
51 623	GGP Inc. Real Estate Investment Trust	1 552	1 518	
17 251	ProLogis Inc. Trust	1 346	1 399	
6 730	Simon Property Group Inc.	1 354	1 454	
47 253	Weyerhaeuser Company Ltd.	1 967	2 094	
		7 609	8 135	<b>1.4</b>
<b>Telecommunication Services</b>				
61 763	AT&T Inc.	3 407	3 020	
76 868	T-Mobile US Inc.	4 403	6 137	
		7 810	9 157	<b>1.6</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Utilities</b>				
13 946	Dominion Energy Inc.	\$ 1 342	\$ 1 421	
24 870	Duke Energy Corp.	2 863	2 629	
7 504	Edison International	677	597	
16 672	NextEra Energy Inc.	2 657	3 274	
41 419	NiSource Inc.	1 434	1 336	
13 143	PG&E Corporation	898	741	
22 764	Xcel Energy Inc.	1 341	1 377	
		11 212	11 375	<b>2.0</b>
<b>TOTAL UNITED STATES EQUITIES</b>				
		461 936	570 898	<b>98.4</b>
<b>SHORT-TERM INVESTMENTS*</b>				
		3 996	4 008	<b>0.7</b>
<b>TOTAL INVESTMENTS</b>				
		\$ 465 932	574 906	<b>99.1</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			5 378	<b>0.9</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
		\$ 580 284		<b>100.0</b>

\* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 0.95% to 1.40% and mature on January 2, 2018.

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



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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 574 906	\$ 581 384
Cash	—	249
Due from investment dealers	6 357	—
Subscriptions receivable	540	110
Dividends receivable, interest accrued and other assets	304	747
<b>TOTAL ASSETS</b>	<b>582 107</b>	<b>582 490</b>
<b>LIABILITIES</b>		
Bank overdraft	1	—
Due to investment dealers	1 467	—
Redemptions payable	212	229
Accounts payable and accrued expenses	143	136
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>1 823</b>	<b>365</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 580 284</b>	<b>\$ 582 125</b>
Investments at cost	\$ 465 932	\$ 491 576
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 3 973</b>	<b>\$ 4 076</b>
<b>ADVISOR SERIES</b>	<b>\$ 1 157</b>	<b>\$ 1 284</b>
<b>SERIES D</b>	<b>\$ 140 275</b>	<b>\$ 135 852</b>
<b>SERIES F</b>	<b>\$ 4 969</b>	<b>\$ 3 777</b>
<b>SERIES O</b>	<b>\$ 429 910</b>	<b>\$ 437 136</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 66.55</b>	<b>\$ 58.44</b>
<b>ADVISOR SERIES</b>	<b>\$ 66.56</b>	<b>\$ 58.44</b>
<b>SERIES D</b>	<b>\$ 66.69</b>	<b>\$ 58.30</b>
<b>SERIES F</b>	<b>\$ 66.97</b>	<b>\$ 58.55</b>
<b>SERIES O</b>	<b>\$ 67.69</b>	<b>\$ 59.19</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 10 033	\$ 12 598
Interest for distribution purposes	122	4
Securities lending revenue (see note 7 in the generic notes)	1	—
Net realized gain (loss) on investments	63 515	3 597
Net gain (loss) on foreign currencies and other net assets	(1 329)	(151)
Change in unrealized gain (loss) on investments	19 166	2 595
<b>TOTAL INCOME (LOSS)</b>	<b>91 508</b>	<b>18 643</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	1 270	1 335
Administration fees	233	214
Independent Review Committee costs	3	2
GST/HST	118	121
Transaction costs	479	336
Withholding tax	1 490	1 350
<b>TOTAL EXPENSES</b>	<b>3 593</b>	<b>3 358</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 87 915</b>	<b>\$ 15 285</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 528</b>	<b>\$ 49</b>
<b>ADVISOR SERIES</b>	<b>\$ 159</b>	<b>\$ (24)</b>
<b>SERIES D</b>	<b>\$ 19 019</b>	<b>\$ 3 042</b>
<b>SERIES F</b>	<b>\$ 597</b>	<b>\$ 139</b>
<b>SERIES O</b>	<b>\$ 67 612</b>	<b>\$ 12 079</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 8.15</b>	<b>\$ 0.66</b>
<b>ADVISOR SERIES</b>	<b>\$ 7.89</b>	<b>\$ (0.98)</b>
<b>SERIES D</b>	<b>\$ 8.72</b>	<b>\$ 1.25</b>
<b>SERIES F</b>	<b>\$ 8.27</b>	<b>\$ 2.27</b>
<b>SERIES O</b>	<b>\$ 9.60</b>	<b>\$ 1.85</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 87 915	\$ 15 285
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(63 064)	(3 258)
Change in unrealized loss (gain) on investments	(19 166)	(2 595)
(Increase) decrease in accrued receivables	443	(52)
Increase (decrease) in accrued payables	7	(32)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(3 333 606)	(479 570)
Proceeds from sale and maturity of investments	3 417 424	455 506
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>89 953</b>	<b>(14 716)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	50 120	122 576
Cash paid on redemption of redeemable units	(137 655)	(109 672)
Distributions paid to holders of redeemable units	(2 668)	(2 851)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (90 203)</b>	<b>\$ 10 053</b>
Net increase (decrease) in cash for the period	(250)	(4 663)
Cash (bank overdraft), beginning of period	249	4 912
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ (1)</b>	<b>\$ 249</b>
Interest received (paid)	\$ 122	\$ 4
Dividends received, net of withholding taxes	\$ 8 986	\$ 11 197

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 4 076</b>	<b>\$ 4 615</b>	<b>\$ 1 284</b>	<b>\$ 1 979</b>	<b>\$ 135 852</b>	<b>\$ 147 545</b>	<b>\$ 3 777</b>	<b>\$ 3 580</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>528</b>	<b>49</b>	<b>159</b>	<b>(24)</b>	<b>19 019</b>	<b>3 042</b>	<b>597</b>	<b>139</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	1 140	523	124	81	6 932	5 094	3 077	1 528
Reinvestments of distributions to holders of redeemable units	—	—	—	—	545	1 073	27	32
Redemption of redeemable units	(1 771)	(1 111)	(410)	(752)	(21 491)	(19 755)	(2 476)	(1 460)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(631)</b>	<b>(588)</b>	<b>(286)</b>	<b>(671)</b>	<b>(14 014)</b>	<b>(13 588)</b>	<b>628</b>	<b>100</b>
Distributions from net income	—	—	—	—	(582)	(1 147)	(33)	(42)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(582)</b>	<b>(1 147)</b>	<b>(33)</b>	<b>(42)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(103)</b>	<b>(539)</b>	<b>(127)</b>	<b>(695)</b>	<b>4 423</b>	<b>(11 693)</b>	<b>1 192</b>	<b>197</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 3 973</b>	<b>\$ 4 076</b>	<b>\$ 1 157</b>	<b>\$ 1 284</b>	<b>\$ 140 275</b>	<b>\$ 135 852</b>	<b>\$ 4 969</b>	<b>\$ 3 777</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 437 136</b>	<b>\$ 399 193</b>	<b>\$ 582 125</b>	<b>\$ 556 912</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>67 612</b>	<b>12 079</b>	<b>87 915</b>	<b>15 285</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	43 067	115 394	54 340	122 620
Reinvestments of distributions to holders of redeemable units	4 053	5 532	4 625	6 637
Redemption of redeemable units	(115 280)	(86 763)	(141 428)	(109 841)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(68 160)</b>	<b>34 163</b>	<b>(82 463)</b>	<b>19 416</b>
Distributions from net income	(6 678)	(8 299)	(7 293)	(9 488)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(6 678)</b>	<b>(8 299)</b>	<b>(7 293)</b>	<b>(9 488)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(7 226)</b>	<b>37 943</b>	<b>(1 841)</b>	<b>25 213</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 429 910</b>	<b>\$ 437 136</b>	<b>\$ 580 284</b>	<b>\$ 582 125</b>

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

December 31, 2017

**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 5 in the generic notes)****Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
Information Technology	23.2	22.8
Financials	15.3	14.6
Consumer Discretionary	13.8	11.9
Health Care	13.4	12.1
Industrials	11.1	10.5
Consumer Staples	7.9	9.2
Energy	6.6	7.1
Materials	2.3	2.7
Utilities	2.0	4.1
Telecommunication Services	1.6	1.1
Real Estate	1.4	2.4
Cash/Other	1.4	1.5
Total	100.0	100.0

**Currency risk (% of NAV)**

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

	December 31 2017	December 31 2016
Currency		
United States dollar	99.9	100.0
Total	99.9	100.0

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2016 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>570 898</b>	–	–	<b>570 898</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	–	–	–
<b>Short-term investments</b>	–	<b>4 008</b>	–	<b>4 008</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>570 898</b>	<b>4 008</b>	–	<b>574 906</b>
<b>% of total portfolio</b>	<b>99.3</b>	<b>0.7</b>	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>573 368</b>	–	–	<b>573 368</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income</b>				
and debt securities	–	–	–	–
<b>Short-term investments</b>	–	<b>8 016</b>	–	<b>8 016</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>573 368</b>	<b>8 016</b>	–	<b>581 384</b>
<b>% of total portfolio</b>	<b>98.6</b>	<b>1.4</b>	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2017

### Management fees and operating expenses (see note 8 in the generic notes)

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

	Management fees*	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 <sup>†</sup>	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%.

<sup>†</sup> 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 2017	December 31 2016
<b>Units held</b>		
Series A	19	19
Advisor Series	36	36
Series D	20	19
Series F	20	20
<b>Value of all units</b>	<b>6</b>	<b>5</b>

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	371 360
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)

	2017	2016
<b>Series A</b>		
Opening units	70	81
Issued number of units	18	10
Reinvested number of units	—	—
Redeemed number of units	(28)	(21)
Ending number of units	60	70

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

	2017	2016
<b>Advisor Series</b>		
Opening units	22	35
Issued number of units	2	1
Reinvested number of units	—	—
Redeemed number of units	(7)	(14)
Ending number of units	17	22

<b>Series D</b>		
Opening units	2 330	2 585
Issued number of units	111	94
Reinvested number of units	8	18
Redeemed number of units	(345)	(367)
Ending number of units	2 104	2 330

<b>Series F</b>		
Opening units	65	62
Issued number of units	49	28
Reinvested number of units	—	1
Redeemed number of units	(40)	(26)
Ending number of units	74	65

<b>Series O</b>		
Opening units	7 386	6 891
Issued number of units	665	1 993
Reinvested number of units	59	92
Redeemed number of units	(1 759)	(1 590)
Ending number of units	6 351	7 386

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	479	100	336	100
Related-party brokerage commissions*	42	9	—	—
Commission arrangements <sup>†</sup>	57	12	87	26

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	18 362	—
Fair value of collateral received	18 729	—

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

December 31, 2017

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.

	<b>December 31 2017</b>		<b>December 31 2016</b>	
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Gross revenue	<b>1</b>	<b>100</b>	—	—
RBC IS (paid)	—	<b>(25)</b>	—	—
Tax withheld	—	<b>(3)</b>	—	—
Fund revenue	<b>1</b>	<b>72</b>	—	—

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

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

	<b>December 31 2017</b>	<b>December 31 2016</b>
BonaVista Balanced Fund	<b>0.5</b>	0.7
BonaVista Global Balanced Fund	—	0.1
BonaVista Private Balanced Fund	<b>0.4</b>	1.0
Phillips, Hager & North Currency-Hedged U.S. Equity Fund	<b>7.6</b>	8.1
Total	<b>8.5</b>	9.9

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED  
U.S. EQUITY FUND**

December 31, 2017

Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
652 372	Phillips, Hager & North U.S. Equity Fund*	\$ 29 405	\$ 44 158	
<b>TOTAL MUTUAL FUND UNITS</b>		29 405	44 158	<b>98.5</b>
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				
		—	605	<b>1.3</b>
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				
		—	(31)	<b>(0.1)</b>
<b>TOTAL PORTFOLIO</b>		<u>\$ 29 405</u>	44 732	<b>99.7</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			115	<b>0.3</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
		<u>\$ 44 847</u>		<b>100.0</b>

**SCHEDULE A****Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 763 Sold USD 600 @ 1.2721	11-Jan-2018	\$ 9
Bought CAD 9 682 Sold USD 7 605 @ 1.2732	15-Feb-2018	129
Bought CAD 12 417 Sold USD 9 741 @ 1.2747	06-Mar-2018	183
Bought USD 1 495 Sold CAD 1 874 @ 0.7979	06-Mar-2018	4
Bought CAD 12 380 Sold USD 9 637 @ 1.2846	26-Mar-2018	280
		<u>\$ 605</u>
Contracts	Maturity Date	Unrealized Loss
Bought CAD 11 573 Sold USD 9 233 @ 1.2535	11-Jan-2018	\$ (31)
		<u>\$ (31)</u>
<b>TOTAL FOREIGN EXCHANGE</b>		<u>\$ 574</u>

All counterparties have a credit rating of at least A.

\* Investment in related party (see note 8 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)*

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 44 158	\$ 46 871
Cash	118	136
Subscriptions receivable	12	1
Unrealized gain on foreign exchange contracts	605	46
<b>TOTAL ASSETS</b>	<b>44 893</b>	<b>47 054</b>
<b>LIABILITIES</b>		
Redemptions payable	2	–
Unrealized loss on foreign exchange contracts	31	626
Accounts payable and accrued expenses	13	15
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS</b>		
<b>ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>46</b>	<b>641</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 44 847</b>	<b>\$ 46 413</b>
Investments at cost	\$ 29 405	\$ 34 118
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 1 004</b>	<b>\$ 888</b>
<b>ADVISOR SERIES</b>	<b>\$ 331</b>	<b>\$ 398</b>
<b>SERIES D</b>	<b>\$ 8 239</b>	<b>\$ 9 258</b>
<b>SERIES F</b>	<b>\$ 1 538</b>	<b>\$ 1 400</b>
<b>SERIES O</b>	<b>\$ 33 735</b>	<b>\$ 34 469</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 11.84</b>	<b>\$ 10.20</b>
<b>ADVISOR SERIES</b>	<b>\$ 11.84</b>	<b>\$ 10.20</b>
<b>SERIES D</b>	<b>\$ 11.84</b>	<b>\$ 10.15</b>
<b>SERIES F</b>	<b>\$ 11.94</b>	<b>\$ 10.24</b>
<b>SERIES O</b>	<b>\$ 11.97</b>	<b>\$ 10.28</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ (2)	\$ –
Other income received from underlying funds	657	894
Net realized gain (loss) on investments	4 340	3 597
Net gain (loss) on foreign currencies and other net assets	1 570	1 078
Change in unrealized gain (loss) on investments	3 154	(1 642)
<b>TOTAL INCOME (LOSS)</b>	<b>9 719</b>	<b>3 927</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	104	150
Administration fees	41	49
Independent Review Committee costs	3	2
GST/HST	11	15
Expenses reimbursed by manager	(3)	–
<b>TOTAL EXPENSES</b>	<b>156</b>	<b>216</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 9 563</b>	<b>\$ 3 711</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 183</b>	<b>\$ 21</b>
<b>ADVISOR SERIES</b>	<b>\$ 67</b>	<b>\$ –</b>
<b>SERIES D</b>	<b>\$ 1 766</b>	<b>\$ 703</b>
<b>SERIES F</b>	<b>\$ 296</b>	<b>\$ 157</b>
<b>SERIES O</b>	<b>\$ 7 251</b>	<b>\$ 2 830</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 2.18</b>	<b>\$ 0.21</b>
<b>ADVISOR SERIES</b>	<b>\$ 2.21</b>	<b>\$ –</b>
<b>SERIES D</b>	<b>\$ 2.24</b>	<b>\$ 0.71</b>
<b>SERIES F</b>	<b>\$ 2.33</b>	<b>\$ 1.02</b>
<b>SERIES O</b>	<b>\$ 2.42</b>	<b>\$ 0.82</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 9 563	\$ 3 711
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(657)	(894)
Net realized loss (gain) on investments	(4 340)	(3 597)
Change in unrealized loss (gain) on investments	(3 154)	1 642
(Increase) decrease in accrued receivables	—	3
Increase (decrease) in accrued payables	(2)	(4)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(4 010)	(17 318)
Proceeds from sale and maturity of investments	13 720	14 615
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>11 120</b>	<b>(1 842)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	1 720	17 737
Cash paid on redemption of redeemable units	(11 352)	(15 398)
Distributions paid to holders of redeemable units	(1 506)	(438)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (11 138)</b>	<b>\$ 1 901</b>
Net increase (decrease) in cash for the period	(18)	59
Cash (bank overdraft), beginning of period	136	77
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 118</b>	<b>\$ 136</b>
Interest received (paid)	\$ (2)	\$ —
Dividends received, net of withholding taxes	\$ —	\$ —

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 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 888</b>	<b>\$ 1 128</b>	<b>\$ 398</b>	<b>\$ 3 153</b>	<b>\$ 9 258</b>	<b>\$ 7 793</b>	<b>\$ 1 400</b>	<b>\$ 761</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>183</b>	<b>21</b>	<b>67</b>	<b>—</b>	<b>1 766</b>	<b>703</b>	<b>296</b>	<b>157</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	71	253	18	27	846	3 016	329	1 192
Reinvestments of distributions to holders of redeemable units	43	—	7	—	366	68	62	9
Redemption of redeemable units	(136)	(514)	(145)	(2 782)	(3 603)	(2 250)	(470)	(704)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(22)</b>	<b>(261)</b>	<b>(120)</b>	<b>(2 755)</b>	<b>(2 391)</b>	<b>834</b>	<b>(79)</b>	<b>497</b>
Distributions from net income	—	—	—	—	(29)	(72)	(10)	(15)
Distributions from net gains	(45)	—	(14)	—	(365)	—	(69)	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(45)</b>	<b>—</b>	<b>(14)</b>	<b>—</b>	<b>(394)</b>	<b>(72)</b>	<b>(79)</b>	<b>(15)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>116</b>	<b>(240)</b>	<b>(67)</b>	<b>(2 755)</b>	<b>(1 019)</b>	<b>1 465</b>	<b>138</b>	<b>639</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 1 004</b>	<b>\$ 888</b>	<b>\$ 331</b>	<b>\$ 398</b>	<b>\$ 8 239</b>	<b>\$ 9 258</b>	<b>\$ 1 538</b>	<b>\$ 1 400</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 34 469</b>	<b>\$ 27 937</b>	<b>\$ 46 413</b>	<b>\$ 40 772</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>7 251</b>	<b>2 830</b>	<b>9 563</b>	<b>3 711</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	522	13 250	1 786	17 738
Reinvestments of distributions to holders of redeemable units	544	163	1 022	240
Redemption of redeemable units	(7 055)	(9 120)	(11 409)	(15 370)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(5 989)</b>	<b>4 293</b>	<b>(8 601)</b>	<b>2 608</b>
Distributions from net income	(452)	(591)	(491)	(678)
Distributions from net gains	(1 544)	—	(2 037)	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(1 996)</b>	<b>(591)</b>	<b>(2 528)</b>	<b>(678)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(734)</b>	<b>6 532</b>	<b>(1 566)</b>	<b>5 641</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 33 735</b>	<b>\$ 34 469</b>	<b>\$ 44 847</b>	<b>\$ 46 413</b>

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED  
U.S. EQUITY FUND**

December 31, 2017

**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

**Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
Information Technology	22.8	23.0
Financials	15.1	14.7
Consumer Discretionary	13.6	12.0
Health Care	13.2	12.2
Industrials	10.9	10.7
Consumer Staples	7.8	9.4
Energy	6.5	7.2
Materials	2.2	2.7
Utilities	2.0	4.1
Telecommunication Services	1.6	1.1
Real Estate	1.4	2.4
Cash/Other	2.9	0.5
Total	100.0	100.0

**Currency risk (% of NAV)**

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

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

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

	December 31 2017	December 31 2016
S&P 500 Total Return Index (hedged to CAD)	+ or - 1.0	+ or - 1.0

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

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

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

The following is a summary of the inputs used as of December 31, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	44 158	—	—	44 158
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	605	—	605
Derivatives – liabilities	—	(31)	—	(31)
Total financial instruments	44 158	574	—	44 732
% of total portfolio	98.7	1.3	—	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees*	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 <sup>†</sup>	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%.

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED  
U.S. EQUITY FUND**

December 31, 2017

**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 2017	December 31 2016
<b>Units held</b>		
Series A	85	81
Advisor Series	164	157
Series D	123	117
Series F	91	87
Series O	96	91
<b>Value of all units</b>	<b>7</b>	<b>5</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
U.S. Equity Fund	98.5	7.6	101.0	8.1

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

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

**Redeemable units (000s)**

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

For the periods ended December 31 (see note 2 in the generic notes)	2017	2016
<b>Series A</b>		
Opening units	87	115
Issued number of units	6	27
Reinvested number of units	4	–
Redeemed number of units	(12)	(55)
Ending number of units	85	87
<b>Advisor Series</b>		
Opening units	39	321
Issued number of units	1	3
Reinvested number of units	1	–
Redeemed number of units	(13)	(285)
Ending number of units	28	39

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

	2017	2016
<b>Series D</b>		
Opening units	912	799
Issued number of units	76	337
Reinvested number of units	31	7
Redeemed number of units	(323)	(231)
Ending number of units	696	912
<b>Series F</b>		
Opening units	137	77
Issued number of units	29	131
Reinvested number of units	5	1
Redeemed number of units	(42)	(72)
Ending number of units	129	137
<b>Series O</b>		
Opening units	3 354	2 831
Issued number of units	48	1 472
Reinvested number of units	45	16
Redeemed number of units	(629)	(965)
Ending number of units	2 818	3 354

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, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
<b>Consumer Discretionary</b>				
2 437	Amazon.com, Inc.	\$ 1 792	\$ 3 582	
6 871	Best Buy Co. Inc.	566	591	
2 052	Charter Communications Inc.	858	867	
29 788	Comcast Corp., Class A	1 473	1 501	
5 986	D.R. Horton Inc.	269	384	
5 986	Dollar Tree Inc.	624	808	
7 361	Home Depot Inc.	1 445	1 755	
6 054	Marriott International Inc., Class A	674	1 033	
5 575	McDonald's Corp.	1 167	1 207	
2 416	Mohawk Industries Inc.	676	838	
5 103	Nike Inc.	386	401	
3 925	PVH Corp.	564	677	
13 031	Starbucks Corp.	960	941	
5 888	The Walt Disney Company	831	798	
		12 285	15 383	<b>13.8</b>
<b>Consumer Staples</b>				
3 710	Colgate-Palmolive Company	378	352	
6 008	Conagra Brands Inc.	357	284	
1 673	Costco Wholesale Corp.	342	392	
3 356	Coty Inc.	82	84	
4 093	CVS Health Corp.	459	373	
2 893	Estée Lauder Companies Inc., Class A	305	463	
2 444	McCormick & Co. Inc.	307	313	
16 583	Mondelez International Inc.	992	892	
5 564	PepsiCo Inc.	355	839	
6 081	Philip Morris International Inc.	842	808	
11 022	The Coca-Cola Co.	637	637	
3 827	The Hershey Co.	525	546	
2 281	The Kraft Heinz Co.	267	223	
10 707	The Procter & Gamble Co.	1 178	1 239	
7 096	Tyson Foods Inc.	603	723	
3 560	Walgreens Boots Alliance Inc.	396	325	
5 741	Wal-Mart Stores, Inc.	548	714	
		8 573	9 207	<b>8.3</b>
<b>Energy</b>				
11 171	Chevron Corp.	1 633	1 761	
12 800	ConocoPhillips	898	883	
6 149	EOG Resources Inc.	811	834	
19 609	Exxon Mobil Corp.	2 070	2 065	
12 700	Halliburton Co.	785	780	
4 711	Marathon Petroleum Corp.	342	392	
3 413	Pioneer Natural Resources Co.	687	742	
		7 226	7 457	<b>6.7</b>
<b>Financials</b>				
7 130	Aflac Inc.	682	787	
6 798	American International Group Inc.	549	509	
55 094	Bank of America Corp.	1 199	2 045	
10 077	Berkshire Hathaway Inc., Class B	2 196	2 517	
491	BlackRock Inc.	254	317	
2 483	Capital One Financial Corp.	274	311	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Financials (cont.)</b>				
1 893	Chubb Ltd.	\$ 306	\$ 348	
10 564	Citigroup Inc.	751	988	
11 973	Citizens Financial Group Inc.	558	632	
1 318	CME Group Inc., Class A	205	242	
4 907	Discover Financial Services	385	474	
15 499	JPMorgan Chase & Co.	1 742	2 088	
4 328	MetLife Inc.	286	275	
9 442	Morgan Stanley	613	623	
1 708	PNC Bank Corp.	286	310	
3 128	Prudential Financial Inc.	345	452	
2 267	State Street Corp.	259	278	
5 621	Suntrust Banks Inc.	292	456	
9 638	The Charles Schwab Corporation	559	622	
2 251	The Goldman Sachs Group Inc.	711	721	
3 396	The Nasdaq Stock Market Inc.	325	328	
6 767	The Progressive Corp.	362	479	
6 352	U.S. Bancorp	436	428	
10 579	Wells Fargo & Company	776	808	
		14 351	17 038	<b>15.3</b>
<b>Health Care</b>				
15 840	Abbott Laboratories	849	1 137	
11 287	AbbVie Inc.	1 057	1 374	
3 533	Anthem Inc.	707	1 000	
8 257	Bristol-Myers Squibb Co.	709	636	
6 712	Celgene Corp.	738	881	
6 989	Danaher Corp.	762	816	
9 118	Eli Lilly & Co.	910	969	
6 329	HCA Healthcare Inc.	656	699	
12 460	Johnson & Johnson	1 120	2 190	
10 955	Medtronic Plc.	993	1 112	
8 875	Pfizer Inc.	375	404	
3 949	Thermo Fisher Scientific Inc.	639	943	
5 986	UnitedHealth Group Incorporated	1 714	1 661	
2 209	Vertex Pharmaceuticals Inc.	428	416	
9 214	Zoetis Inc.	655	835	
		12 312	15 073	<b>13.5</b>
<b>Industrials</b>				
4 416	3M Co.	1 121	1 309	
2 257	Boeing Co.	740	837	
2 383	Caterpillar Inc.	333	472	
7 171	Eaton Corp Plc.	658	712	
5 661	General Dynamics Corp.	1 065	1 449	
5 897	Honeywell International Inc.	770	1 139	
5 580	Ingersoll-Rand Plc., Class A	390	626	
2 846	Parker Hannifin Corp.	638	714	
3 300	Republic Services Inc.	281	280	
3 170	Rockwell Automation Inc.	611	783	
9 617	Southwest Airlines	517	791	
3 435	Stanley Black & Decker Inc.	614	733	
8 183	Union Pacific Corp.	929	1 381	
1 766	United Rentals Inc.	265	382	
5 201	United Technologies Corp.	849	835	
		9 781	12 443	<b>11.2</b>

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

## PHILLIPS, HAGER &amp; NORTH U.S. GROWTH FUND

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Information Technology</b>				
2 435	Accenture Plc., Class A	\$ 423	\$ 469	
3 474	Activision Blizzard Inc.	289	277	
1 889	Adobe Systems Inc.	223	416	
2 778	Alphabet Inc., Class C	1 800	3 654	
22 558	Apple Inc.	2 724	4 800	
4 446	Applied Materials Inc.	260	286	
2 361	Broadcom Ltd.	517	764	
27 034	Cisco Systems Inc.	1 075	1 302	
2 343	Cognizant Technology Solutions Corp., Class A	184	209	
9 331	eBay Inc.	432	443	
9 343	Facebook Inc., Class A	1 245	2 073	
23 161	Intel Corp.	1 143	1 345	
2 787	International Business Machines	534	538	
617	Lam Research Corp.	56	143	
34 773	Microsoft Corp.	1 466	3 741	
1 099	Nvidia Corp.	239	267	
16 458	Oracle Corporation	920	978	
2 964	PayPal Holdings Inc.	284	274	
4 034	QUALCOMM Inc.	284	325	
4 720	Salesforce.com Inc.	508	607	
9 280	Texas Instruments Inc.	922	1 219	
9 485	Visa Inc., Class A	902	1 362	
4 687	Xilinx Inc.	360	397	
		16 790	25 889	<b>23.2</b>
<b>Materials</b>				
1 963	Air Products & Chemicals Inc.	357	406	
12 096	DowDuPont Inc.	1 023	1 085	
2 425	Eastman Chemical Company	260	282	
2 061	LyondellBasell Industries N.V.	290	286	
3 701	Nucor Corp.	303	296	
2 178	WestRock Co.	133	173	
		2 366	2 528	<b>2.3</b>
<b>Real Estate</b>				
5 987	CBRE Group Inc.	271	326	
10 022	GGP Inc. Real Estate Investment Trust	301	295	
3 347	ProLogis Inc. Trust	261	271	
1 305	Simon Property Group Inc.	262	282	
8 965	Weyerhaeuser Company Ltd.	373	397	
		1 468	1 571	<b>1.4</b>
<b>Telecommunication Services</b>				
11 976	AT&T Inc.	661	586	
15 034	T-Mobile US Inc.	826	1 200	
		1 487	1 786	<b>1.6</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Utilities</b>				
2 714	Dominion Energy Inc.	\$ 261	\$ 277	
4 858	Duke Energy Corp.	559	514	
1 300	Edison International	117	103	
3 323	NextEra Energy Inc.	530	653	
8 087	NiSource Inc.	280	261	
2 483	PG&E Corporation	170	140	
4 416	Xcel Energy Inc.	260	267	
		2 177	2 215	<b>2.0</b>
<b>TOTAL UNITED STATES EQUITIES</b>		<b>\$ 88 816</b>	<b>110 590</b>	<b>99.3</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			837	<b>0.7</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
		<b>\$ 111 427</b>	<b>100.0</b>	

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 110 590	\$ 109 510
Cash	–	81
Due from investment dealers	1 297	–
Subscriptions receivable	22	20
Dividends receivable, interest accrued and other assets	59	141
<b>TOTAL ASSETS</b>	<b>111 968</b>	<b>109 752</b>
<b>LIABILITIES</b>		
Bank overdraft	91	–
Due to investment dealers	282	–
Redemptions payable	123	40
Accounts payable and accrued expenses	45	42
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>541</b>	<b>82</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 111 427</b>	<b>\$ 109 670</b>
Investments at cost	\$ 88 816	\$ 90 587
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 2 064</b>	<b>\$ 1 532</b>
<b>ADVISOR SERIES</b>	<b>\$ 277</b>	<b>\$ 190</b>
<b>SERIES D</b>	<b>\$ 41 137</b>	<b>\$ 39 450</b>
<b>SERIES F</b>	<b>\$ 2 622</b>	<b>\$ 2 268</b>
<b>SERIES O</b>	<b>\$ 65 327</b>	<b>\$ 66 230</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 25.35</b>	<b>\$ 22.22</b>
<b>ADVISOR SERIES</b>	<b>\$ 25.35</b>	<b>\$ 22.22</b>
<b>SERIES D</b>	<b>\$ 26.16</b>	<b>\$ 22.85</b>
<b>SERIES F</b>	<b>\$ 26.45</b>	<b>\$ 23.10</b>
<b>SERIES O</b>	<b>\$ 26.73</b>	<b>\$ 23.35</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 1 879	\$ 2 722
Interest for distribution purposes	12	–
Net realized gain (loss) on investments	12 428	457
Net gain (loss) on foreign currencies and other net assets	(147)	(51)
Change in unrealized gain (loss) on investments	2 851	614
<b>TOTAL INCOME (LOSS)</b>	<b>17 023</b>	<b>3 742</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	388	394
Administration fees	91	86
Independent Review Committee costs	3	2
GST/HST	34	34
Transaction costs	90	73
Withholding tax	263	272
<b>TOTAL EXPENSES</b>	<b>869</b>	<b>861</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 16 154</b>	<b>\$ 2 881</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 229</b>	<b>\$ (20)</b>
<b>ADVISOR SERIES</b>	<b>\$ 27</b>	<b>\$ 5</b>
<b>SERIES D</b>	<b>\$ 5 595</b>	<b>\$ 925</b>
<b>SERIES F</b>	<b>\$ 330</b>	<b>\$ 144</b>
<b>SERIES O</b>	<b>\$ 9 973</b>	<b>\$ 1 827</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 2.90</b>	<b>\$ (0.32)</b>
<b>ADVISOR SERIES</b>	<b>\$ 3.27</b>	<b>\$ 0.60</b>
<b>SERIES D</b>	<b>\$ 3.42</b>	<b>\$ 0.51</b>
<b>SERIES F</b>	<b>\$ 3.41</b>	<b>\$ 1.77</b>
<b>SERIES O</b>	<b>\$ 3.80</b>	<b>\$ 0.60</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 16 154	\$ 2 881
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(12 344)	(382)
Change in unrealized loss (gain) on investments	(2 851)	(614)
(Increase) decrease in accrued receivables	82	15
Increase (decrease) in accrued payables	3	(12)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(426 276)	(89 221)
Proceeds from sale and maturity of investments	439 376	103 073
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>14 144</b>	<b>15 740</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	4 496	4 320
Cash paid on redemption of redeemable units	(18 101)	(20 411)
Distributions paid to holders of redeemable units	(711)	(1 051)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (14 316)</b>	<b>\$ (17 142)</b>
Net increase (decrease) in cash for the period	(172)	(1 402)
Cash (bank overdraft), beginning of period	81	1 483
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ (91)</b>	<b>\$ 81</b>
Interest received (paid)	\$ 12	\$ —
Dividends received, net of withholding taxes	\$ 1 699	\$ 2 464

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 1 532</b>	<b>\$ 2 289</b>	<b>\$ 190</b>	<b>\$ 166</b>	<b>\$ 39 450</b>	<b>\$ 43 208</b>	<b>\$ 2 268</b>	<b>\$ 764</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>229</b>	<b>(20)</b>	<b>27</b>	<b>5</b>	<b>5 595</b>	<b>925</b>	<b>330</b>	<b>144</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	612	660	135	48	3 307	1 464	604	1 579
Reinvestments of distributions to holders of redeemable units	—	5	—	1	192	445	14	24
Redemption of redeemable units	(309)	(1 397)	(75)	(29)	(7 209)	(6 127)	(575)	(211)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>303</b>	<b>(732)</b>	<b>60</b>	<b>20</b>	<b>(3 710)</b>	<b>(4 218)</b>	<b>43</b>	<b>1 392</b>
Distributions from net income	—	(5)	—	(1)	(198)	(465)	(19)	(32)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>—</b>	<b>(5)</b>	<b>—</b>	<b>(1)</b>	<b>(198)</b>	<b>(465)</b>	<b>(19)</b>	<b>(32)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>532</b>	<b>(757)</b>	<b>87</b>	<b>24</b>	<b>1 687</b>	<b>(3 758)</b>	<b>354</b>	<b>1 504</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 2 064</b>	<b>\$ 1 532</b>	<b>\$ 277</b>	<b>\$ 190</b>	<b>\$ 41 137</b>	<b>\$ 39 450</b>	<b>\$ 2 622</b>	<b>\$ 2 268</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 66 230</b>	<b>\$ 77 521</b>	<b>\$ 109 670</b>	<b>\$ 123 948</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>9 973</b>	<b>1 827</b>	<b>16 154</b>	<b>2 881</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	697	576	5 355	4 327
Reinvestments of distributions to holders of redeemable units	241	421	447	896
Redemption of redeemable units	(10 873)	(12 671)	(19 041)	(20 435)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(9 935)</b>	<b>(11 674)</b>	<b>(13 239)</b>	<b>(15 212)</b>
Distributions from net income	(941)	(1 444)	(1 158)	(1 947)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(941)</b>	<b>(1 444)</b>	<b>(1 158)</b>	<b>(1 947)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(903)</b>	<b>(11 291)</b>	<b>1 757</b>	<b>(14 278)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 65 327</b>	<b>\$ 66 230</b>	<b>\$ 111 427</b>	<b>\$ 109 670</b>

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

December 31, 2017

**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 5 in the generic notes)****Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
Information Technology	23.2	22.9
Financials	15.3	14.7
Consumer Discretionary	13.8	11.9
Health Care	13.5	12.1
Industrials	11.2	10.5
Consumer Staples	8.3	9.2
Energy	6.7	7.1
Materials	2.3	2.8
Utilities	2.0	4.1
Telecommunication Services	1.6	1.1
Real Estate	1.4	2.4
Cash/Other	0.7	1.2
Total	100.0	100.0

**Currency risk (% of NAV)**

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

	December 31 2017	December 31 2016
Currency		
United States dollar	100.0	99.9
Total	100.0	99.9

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2016 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
S&P 500 Total Return 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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	110 590	—	—	110 590
Mutual fund units	—	—	—	—
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	110 590	—	—	110 590
% of total portfolio	100.0	—	—	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2017

### Management fees and operating expenses (see note 8 in the generic notes)

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

	Management fees*	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 <sup>†</sup>	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%.

<sup>†</sup> 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 2017	December 31 2016
<b>Units held</b>		
Series A	50	50
Advisor Series	95	95
Series F	52	51
Series O	54	53
<b>Value of all units</b>	<b>6</b>	<b>6</b>

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	23 672
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)

	2017	2016
<b>Series A</b>		
Opening units	69	105
Issued number of units	25	32
Reinvested number of units	—	—
Redeemed number of units	(13)	(68)
Ending number of units	81	69

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

	2017	2016
<b>Advisor Series</b>		
Opening units	9	8
Issued number of units	5	2
Reinvested number of units	—	—
Redeemed number of units	(3)	(1)
Ending number of units	11	9
<b>Series D</b>		
Opening units	1 726	1 925
Issued number of units	135	68
Reinvested number of units	7	19
Redeemed number of units	(295)	(286)
Ending number of units	1 573	1 726
<b>Series F</b>		
Opening units	98	34
Issued number of units	24	73
Reinvested number of units	1	1
Redeemed number of units	(24)	(10)
Ending number of units	99	98
<b>Series O</b>		
Opening units	2 836	3 381
Issued number of units	29	26
Reinvested number of units	9	18
Redeemed number of units	(430)	(589)
Ending number of units	2 444	2 836

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	90	100	73	100
Related-party brokerage commissions*	8	9	—	—
Commission arrangements <sup>†</sup>	11	12	20	27

\* See note 8 in the generic notes.

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

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

December 31, 2017

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	<b>3 485</b>	—
Fair value of collateral received	<b>3 555</b>	—

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	—	<b>100</b>	—	—
RBC IS (paid)	—	<b>(25)</b>	—	—
Tax withheld	—	<b>(8)</b>	—	—
Fund revenue	—	<b>67</b>	—	—

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH OVERSEAS EQUITY FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>INTERNATIONAL EQUITIES</b>				
<b>Australia</b>				
846 073	Amcor Ltd.	\$ 13 325	\$ 12 744	
4 226 544	Oil Search Ltd.	33 475	32 167	
		46 800	44 911	<b>3.7</b>
<b>Belgium</b>				
344 681	Anheuser-Busch InBev S.A./N.V.	45 415	48 370	
		45 415	48 370	<b>4.0</b>
<b>Denmark</b>				
454 479	Novo Nordisk A/S	30 558	30 698	
		30 558	30 698	<b>2.5</b>
<b>France</b>				
162 542	Safran S.A.	11 974	21 074	
		11 974	21 074	<b>1.7</b>
<b>Germany</b>				
1 070 330	Deutsche Post AG	37 917	64 032	
105 850	Linde AG	28 038	31 196	
		65 955	95 228	<b>7.8</b>
<b>Hong Kong</b>				
4 907 560	AIA Group Ltd.	31 880	52 470	
		31 880	52 470	<b>4.3</b>
<b>India</b>				
791 373	HDFC Bank Ltd.	18 962	29 501	
213 481	HDFC Bank Ltd. ADR	12 410	27 297	
		31 372	56 798	<b>4.7</b>
<b>Ireland</b>				
510 724	CRH Plc.	23 289	23 189	
205 469	Paddy Power Betfair Plc.	36 013	30 725	
143 875	Ryanair Holdings Plc. ADR	17 147	18 847	
		76 449	72 761	<b>6.0</b>
<b>Japan</b>				
2 693 329	Astellas Pharma Inc.	44 139	43 007	
430 150	KDDI Corporation	14 239	13 431	
1 150 497	Komatsu Ltd.	38 680	52 264	
365 217	Nidec Corp.	31 225	64 279	
320 633	Sysmex Corp.	23 769	31 647	
497 279	Tokyo Gas Co. Ltd.	14 453	14 282	
		166 505	218 910	<b>18.0</b>
<b>Netherlands</b>				
120 093	ASML Holding N.V.	14 654	26 245	
1 839 342	ING Groep N.V.	37 030	42 442	
		51 684	68 687	<b>5.7</b>
<b>South Africa</b>				
159 961	Naspers Ltd.	24 465	55 707	
		24 465	55 707	<b>4.6</b>
<b>South Korea</b>				
27 370	NCSOFT Corp.	10 298	14 403	
		10 298	14 403	<b>1.2</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Switzerland</b>				
35 506	Partners Group Holding AG	\$ 15 252	\$ 30 581	
154 778	Roche Holdings AG Genussscheine	43 103	49 195	
1 391 762	UBS Group AG	27 299	32 142	
		85 654	111 918	<b>9.2</b>
<b>Taiwan</b>				
1 076 888	Taiwan Semiconductor Manufacturing Co. Ltd. ADR	28 790	53 692	
		28 790	53 692	<b>4.4</b>
<b>Thailand</b>				
2 095 185	Kasikornbank PCL	13 987	19 274	
		13 987	19 274	<b>1.6</b>
<b>United Kingdom</b>				
124 852	Croda International Plc.	9 295	9 356	
642 628	InterContinental Hotels Group Plc.	41 113	51 379	
11 931 196	Lloyds TSB Group Plc.	15 161	13 752	
607 286	Rio Tinto Plc.	34 123	40 044	
653 737	Royal Dutch Shell Plc., B Shares	27 110	27 672	
2 237 052	St James's Place Plc.	35 949	46 454	
678 694	Unilever Plc.	48 237	47 319	
		210 988	235 976	<b>19.4</b>
<b>TOTAL INTERNATIONAL EQUITIES</b>		932 774	1 200 877	<b>98.8</b>
<b>SHORT-TERM INVESTMENTS*</b>		12 416	12 416	<b>1.0</b>
<b>TOTAL INVESTMENTS</b>		945 190	1 213 293	<b>99.8</b>
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>		—	16	<b>—</b>
<b>TOTAL PORTFOLIO</b>		\$ 945 190	1 213 309	<b>99.8</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			1 815	<b>0.2</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			\$1 215 124	<b>100.0</b>

**SCHEDULE A****Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 1 428 Sold ZAR 13 905 @ 0.1027	02-Jan-2018	\$ 16
Bought GBP 260 Sold CAD 441 @ 0.5895	03-Jan-2018	—
Bought CAD 8 Sold JPY 753 @ 0.0111	04-Jan-2018	—
<b>TOTAL FOREIGN EXCHANGE</b>		<b>\$ 16</b>

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 0.95% to 1.37% and mature between January 2, 2018 and January 30, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 1 213 293	\$ 1 011 361
Cash	799	124
Due from investment dealers	1 413	—
Subscriptions receivable	716	3 532
Unrealized gain on foreign exchange contracts	16	—
Dividends receivable, interest accrued and other assets	100	481
<b>TOTAL ASSETS</b>	<b>1 216 337</b>	<b>1 015 498</b>
<b>LIABILITIES</b>		
Due to investment dealers	441	—
Redemptions payable	508	998
Accounts payable and accrued expenses	264	247
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>1 213</b>	<b>1 245</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 1 215 124</b>	<b>\$ 1 014 253</b>
Investments at cost	\$ 945 190	\$ 947 548
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 3 758</b>	<b>\$ 2 888</b>
<b>ADVISOR SERIES</b>	<b>\$ 1 817</b>	<b>\$ 1 013</b>
<b>SERIES D</b>	<b>\$ 212 598</b>	<b>\$ 165 905</b>
<b>SERIES F</b>	<b>\$ 15 288</b>	<b>\$ 9 150</b>
<b>SERIES O</b>	<b>\$ 981 663</b>	<b>\$ 835 297</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 15.71</b>	<b>\$ 12.55</b>
<b>ADVISOR SERIES</b>	<b>\$ 15.71</b>	<b>\$ 12.55</b>
<b>SERIES D</b>	<b>\$ 15.61</b>	<b>\$ 12.46</b>
<b>SERIES F</b>	<b>\$ 14.89</b>	<b>\$ 11.88</b>
<b>SERIES O</b>	<b>\$ 15.92</b>	<b>\$ 12.72</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 27 393	\$ 31 686
Interest for distribution purposes	93	62
Securities lending revenue (see note 7 in the generic notes)	167	262
Net realized gain (loss) on investments	51 625	13 464
Net gain (loss) on foreign currencies and other net assets	(729)	(510)
Change in unrealized gain (loss) on investments	204 306	(100 473)
<b>TOTAL INCOME (LOSS)</b>	<b>282 855</b>	<b>(55 509)</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	2 042	1 939
Administration fees	899	915
Independent Review Committee costs	3	2
GST/HST	225	216
Transaction costs	2 336	1 844
Withholding tax	2 687	2 606
<b>TOTAL EXPENSES</b>	<b>8 192</b>	<b>7 522</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 274 663</b>	<b>\$ (63 031)</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 713</b>	<b>\$ (319)</b>
<b>ADVISOR SERIES</b>	<b>\$ 248</b>	<b>\$ (124)</b>
<b>SERIES D</b>	<b>\$ 43 516</b>	<b>\$ (14 171)</b>
<b>SERIES F</b>	<b>\$ 2 578</b>	<b>\$ (367)</b>
<b>SERIES O</b>	<b>\$ 227 608</b>	<b>\$ (48 050)</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 3.17</b>	<b>\$ (1.33)</b>
<b>ADVISOR SERIES</b>	<b>\$ 2.97</b>	<b>\$ (1.35)</b>
<b>SERIES D</b>	<b>\$ 3.28</b>	<b>\$ (1.06)</b>
<b>SERIES F</b>	<b>\$ 3.12</b>	<b>\$ (0.52)</b>
<b>SERIES O</b>	<b>\$ 3.54</b>	<b>\$ (0.78)</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 274 663	\$ (63 031)
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(49 609)	(12 225)
Change in unrealized loss (gain) on investments	(204 306)	100 473
(Increase) decrease in accrued receivables	381	(118)
Increase (decrease) in accrued payables	17	(35)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(802 505)	(896 935)
Proceeds from sale and maturity of investments	853 500	770 768
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>72 141</b>	<b>(101 103)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	135 255	266 498
Cash paid on redemption of redeemable units	(199 335)	(159 424)
Distributions paid to holders of redeemable units	(7 386)	(7 495)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (71 466)</b>	<b>\$ 99 579</b>
Net increase (decrease) in cash for the period	675	(1 524)
Cash (bank overdraft), beginning of period	124	1 648
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 799</b>	<b>\$ 124</b>
Interest received (paid)	\$ 91	\$ 62
Dividends received, net of withholding taxes	\$ 25 089	\$ 28 962

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 2 888</b>	<b>\$ 3 664</b>	<b>\$ 1 013</b>	<b>\$ 1 401</b>	<b>\$ 165 905</b>	<b>\$ 186 721</b>	<b>\$ 9 150</b>	<b>\$ 5 569</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>713</b>	<b>(319)</b>	<b>248</b>	<b>(124)</b>	<b>43 516</b>	<b>(14 171)</b>	<b>2 578</b>	<b>(367)</b>
Early redemption fees	—	—	—	—	1	—	—	—
Proceeds from redeemable units issued	1 141	1 062	1 028	272	19 487	12 123	6 784	6 447
Reinvestments of distributions to holders of redeemable units	—	23	—	7	1 558	2 600	103	118
Redemption of redeemable units	(984)	(1 518)	(472)	(534)	(16 174)	(18 546)	(3 169)	(2 444)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>157</b>	<b>(433)</b>	<b>556</b>	<b>(255)</b>	<b>4 872</b>	<b>(3 823)</b>	<b>3 718</b>	<b>4 121</b>
Distributions from net income	—	(24)	—	(9)	(1 695)	(2 822)	(158)	(173)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>—</b>	<b>(24)</b>	<b>—</b>	<b>(9)</b>	<b>(1 695)</b>	<b>(2 822)</b>	<b>(158)</b>	<b>(173)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>870</b>	<b>(776)</b>	<b>804</b>	<b>(388)</b>	<b>46 693</b>	<b>(20 816)</b>	<b>6 138</b>	<b>3 581</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 3 758</b>	<b>\$ 2 888</b>	<b>\$ 1 817</b>	<b>\$ 1 013</b>	<b>\$ 212 598</b>	<b>\$ 165 905</b>	<b>\$ 15 288</b>	<b>\$ 9 150</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 835 297</b>	<b>\$ 778 286</b>	<b>\$ 1 014 253</b>	<b>\$ 975 641</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>227 608</b>	<b>(48 050)</b>	<b>274 663</b>	<b>(63 031)</b>
Early redemption fees	—	—	1	—
Proceeds from redeemable units issued	107 051	249 230	135 491	269 134
Reinvestments of distributions to holders of redeemable units	13 490	15 966	15 151	18 714
Redemption of redeemable units	(181 099)	(136 954)	(201 898)	(159 996)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(60 558)</b>	<b>128 242</b>	<b>(51 255)</b>	<b>127 852</b>
Distributions from net income	(20 684)	(23 181)	(22 537)	(26 209)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(20 684)</b>	<b>(23 181)</b>	<b>(22 537)</b>	<b>(26 209)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>146 366</b>	<b>57 011</b>	<b>200 871</b>	<b>38 612</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 981 663</b>	<b>\$ 835 297</b>	<b>\$ 1 215 124</b>	<b>\$ 1 014 253</b>

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



December 31, 2017

### 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 5 in the generic notes)

#### Concentration risk (%)

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

	December 31 2017	December 31 2016
Investment mix		
Europe ex-United Kingdom Equities	36.9	45.5
Pacific Rim ex-Japan Equities	19.9	17.7
United Kingdom Equities	19.4	13.6
Japan Equities	18.0	18.2
Middle East and Africa Equities	4.6	3.9
Cash/Other	1.2	1.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### Currency risk (% of NAV)

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

	December 31 2017	December 31 2016
Currency		
Pound sterling	21.9	16.4
Euro	21.1	29.4
Japanese yen	18.0	18.2
Swiss franc	9.2	8.6
United States dollar	8.2	7.5
South African rand	4.6	3.9
Hong Kong dollar	4.3	3.6
Australian dollar	3.7	3.2
Danish krone	2.5	3.1
Indian rupee	2.4	0.7
Thailand baht	1.6	1.0
South Korean won	1.2	–
Philippine peso	–	1.7
Swedish krona	–	1.8
<b>Total</b>	<b>98.7</b>	<b>99.1</b>

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 4.9% (December 31, 2016 – 5.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>99 836</b>	<b>1 101 041</b>	<b>–</b>	<b>1 200 877</b>
<b>Mutual fund units</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
<b>Short-term investments</b>	<b>–</b>	<b>12 416</b>	<b>–</b>	<b>12 416</b>
<b>Derivatives – assets</b>	<b>–</b>	<b>16</b>	<b>–</b>	<b>16</b>
<b>Derivatives – liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total financial instruments</b>	<b>99 836</b>	<b>1 113 473</b>	<b>–</b>	<b>1 213 309</b>
<b>% of total portfolio</b>	<b>8.2</b>	<b>91.8</b>	<b>–</b>	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>76 140</b>	<b>927 346</b>	<b>–</b>	<b>1 003 486</b>
<b>Mutual fund units</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
<b>Short-term investments</b>	<b>–</b>	<b>7 875</b>	<b>–</b>	<b>7 875</b>
<b>Derivatives – assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Derivatives – liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total financial instruments</b>	<b>76 140</b>	<b>935 221</b>	<b>–</b>	<b>1 011 361</b>
<b>% of total portfolio</b>	<b>7.5</b>	<b>92.5</b>	<b>–</b>	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2017

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

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

	Management fees*	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‡	0.02%

\* 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%.

† Effective October 2, 2017, the administration fees for Series O units were reduced to 0.02% from 0.08%.

‡ 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 2017	December 31 2016
<b>Units held</b>		
Series A	53	53
Advisor Series	103	103
Series D	56	56
Series F	61	60
<b>Value of all units</b>	<b>4</b>	<b>3</b>

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	222 750
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)

	2017	2016
<b>Series A</b>		
Opening units	230	265
Issued number of units	79	83
Reinvested number of units	–	2
Redeemed number of units	(70)	(120)
Ending number of units	239	230

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)

	2017	2016
<b>Advisor Series</b>		
Opening units	81	101
Issued number of units	70	21
Reinvested number of units	–	1
Redeemed number of units	(35)	(42)
Ending number of units	116	81
<b>Series D</b>		
Opening units	13 316	13 614
Issued number of units	1 354	954
Reinvested number of units	100	210
Redeemed number of units	(1 152)	(1 462)
Ending number of units	13 618	13 316
<b>Series F</b>		
Opening units	770	426
Issued number of units	484	536
Reinvested number of units	7	10
Redeemed number of units	(234)	(202)
Ending number of units	1 027	770
<b>Series O</b>		
Opening units	65 680	55 634
Issued number of units	7 377	19 311
Reinvested number of units	846	1 265
Redeemed number of units	(12 242)	(10 530)
Ending number of units	61 661	65 680

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	2 336	100	1 844	100
Related-party brokerage commissions*	64	3	92	5
Commission arrangements†	1 319	56	1 005	55

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	19 922	161 798
Fair value of collateral received	20 321	165 034

December 31, 2017

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	237	100	402	100
RBC IS (paid)	(69)	(29)	(141)	(35)
Tax withheld	(1)	(1)	–	–
Fund revenue	167	70	261	65

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

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

	December 31 2017	December 31 2016
BonaVista Balanced Fund	0.3	0.4
BonaVista Global Balanced Fund	–	0.1
Phillips, Hager & North Currency-Hedged Overseas Equity Fund	15.9	16.0
Phillips, Hager & North Overseas Equity Class	5.0	5.2
RBC Total Return Growth Fund	–	–
Total	21.2	21.7

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED  
OVERSEAS EQUITY FUND**

December 31, 2017

Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
12 100 730	Phillips, Hager & North Overseas Equity Fund*	\$ 138 356	\$ 192 650	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>138 356</b>	<b>192 650</b>	<b>100.5</b>
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				
		—	1 408	<b>0.7</b>
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				
		—	(2 575)	<b>(1.3)</b>
<b>TOTAL PORTFOLIO</b>		<b>\$ 138 356</b>	<b>191 483</b>	<b>99.9</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			206	<b>0.1</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
		<b>\$ 191 689</b>		<b>100.0</b>

**SCHEDULE A****Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 300 Sold GBP 175 @ 1.7169	04-Jan-2018	\$ 3
Bought CHF 300 Sold CAD 387 @ 0.7748	10-Jan-2018	—
Bought DKK 700 Sold CAD 142 @ 4.9232	10-Jan-2018	—
Bought CAD 225 Sold HKD 1 400 @ 0.1607	11-Jan-2018	—
Bought CAD 579 Sold USD 450 @ 1.2866	11-Jan-2018	13
Bought CAD 326 Sold HKD 2 000 @ 0.1631	11-Jan-2018	4
Bought CAD 173 Sold GBP 100 @ 1.7257	11-Jan-2018	3
Bought CAD 120 Sold HKD 750 @ 0.1605	11-Jan-2018	—
Bought CAD 837 Sold JPY 75 000 @ 0.0112	12-Jan-2018	—
Bought AUD 185 Sold CAD 182 @ 1.0173	17-Jan-2018	—
Bought CAD 1 755 Sold AUD 1 780 @ 0.9861	17-Jan-2018	10
Bought EUR 135 Sold CAD 200 @ 0.6739	19-Jan-2018	3
Bought CAD 77 Sold THB 2 000 @ 0.0385	23-Jan-2018	—
Bought CAD 39 Sold THB 1 000 @ 0.0395	23-Jan-2018	1
Bought CAD 77 Sold THB 2 000 @ 0.0385	23-Jan-2018	—
Bought CAD 151 Sold ZAR 1 500 @ 0.1009	23-Jan-2018	—
Bought ZAR 5 000 Sold CAD 451 @ 11.0773	23-Jan-2018	54
Bought ZAR 10 880 Sold CAD 1 000 @ 10.8805	23-Jan-2018	101
Bought ZAR 2 000 Sold CAD 186 @ 10.7265	23-Jan-2018	16
Bought ZAR 2 000 Sold CAD 194 @ 10.2892	23-Jan-2018	8
Bought ZAR 4 000 Sold CAD 403 @ 9.9249	23-Jan-2018	2
Bought CAD 553 Sold GBP 325 @ 1.7022	24-Jan-2018	1
Bought CAD 341 Sold GBP 200 @ 1.7057	24-Jan-2018	2
Bought CAD 911 Sold EUR 600 @ 1.5187	29-Jan-2018	5
Bought CAD 91 Sold DKK 450 @ 0.2020	29-Jan-2018	—
Bought CAD 1 674 Sold CHF 1 291 @ 1.2965	29-Jan-2018	6
Bought CAD 323 Sold CHF 250 @ 1.2935	29-Jan-2018	—
Bought CAD 101 Sold DKK 500 @ 0.2023	29-Jan-2018	—
Bought CAD 153 Sold DKK 750 @ 0.2041	29-Jan-2018	1
Bought CAD 1 060 Sold EUR 700 @ 1.5147	29-Jan-2018	3
Bought EUR 750 Sold CAD 1 131 @ 0.6632	29-Jan-2018	2

**SCHEDULE A (cont.)****Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 35 Sold KRW 30 000 @ 0.0012	06-Feb-2018	\$ —
Bought CAD 238 Sold GBP 140 @ 1.6973	06-Feb-2018	—
Bought KRW 100 000 Sold CAD 118 @ 845.8000	06-Feb-2018	—
Bought CAD 8 112 Sold JPY 720 021 @ 0.0113	07-Feb-2018	69
Bought CAD 498 Sold JPY 44 200 @ 0.0113	07-Feb-2018	4
Bought CAD 4 547 Sold USD 3 584 @ 1.2687	09-Feb-2018	45
Bought CAD 18 619 Sold EUR 12 207 @ 1.5253	15-Feb-2018	167
Bought CAD 8 225 Sold GBP 4 824 @ 1.7050	15-Feb-2018	31
Bought CAD 138 Sold GBP 80 @ 1.7250	15-Feb-2018	2
Bought CAD 276 Sold GBP 160 @ 1.7224	15-Feb-2018	4
Bought EUR 2 078 Sold CAD 3 132 @ 0.6635	15-Feb-2018	9
Bought CAD 649 Sold AUD 659 @ 0.9854	21-Feb-2018	4
Bought ZAR 3 000 Sold CAD 274 @ 10.9552	27-Feb-2018	28
Bought ZAR 4 000 Sold CAD 370 @ 10.8182	27-Feb-2018	33
Bought ZAR 2 000 Sold CAD 187 @ 10.7201	27-Feb-2018	15
Bought CAD 2 483 Sold HKD 15 208 @ 0.1633	06-Mar-2018	35
Bought CAD 242 Sold HKD 1 500 @ 0.1611	06-Mar-2018	—
Bought CAD 15 359 Sold JPY 1 341 674 @ 0.0114	08-Mar-2018	354
Bought CAD 3 758 Sold USD 2 930 @ 1.2826	12-Mar-2018	78
Bought CAD 7 987 Sold EUR 5 268 @ 1.5162	12-Mar-2018	16
Bought CAD 3 342 Sold DKK 16 349 @ 0.2044	15-Mar-2018	18
Bought CAD 7 762 Sold CHF 5 917 @ 1.3118	16-Mar-2018	95
Bought CAD 2 439 Sold HKD 14 832 @ 0.1645	16-Mar-2018	52
Bought CAD 394 Sold AUD 400 @ 0.9839	20-Mar-2018	2
Bought CAD 4 208 Sold AUD 4 276 @ 0.9840	21-Mar-2018	19
Bought CAD 245 Sold AUD 250 @ 0.9798	21-Mar-2018	—
Bought CAD 3 985 Sold USD 3 102 @ 1.2846	26-Mar-2018	90
		<b>\$ 1 408</b>

Contracts	Maturity Date	Unrealized Loss
Bought CAD 6 576 Sold JPY 591 899 @ 0.0111	04-Jan-2018	\$ (27)
Bought CAD 16 551 Sold GBP 9 973 @ 1.6596	04-Jan-2018	(375)
Bought CAD 921 Sold GBP 550 @ 1.6751	04-Jan-2018	(12)
Bought CAD 933 Sold GBP 550 @ 1.6960	04-Jan-2018	(1)
Bought GBP 500 Sold CAD 853 @ 0.5865	04-Jan-2018	(4)
Bought CAD 5 108 Sold CHF 3 969 @ 1.2869	10-Jan-2018	(14)
Bought CAD 276 Sold DKK 1 380 @ 0.2002	10-Jan-2018	(3)
Bought CAD 5 420 Sold USD 4 324 @ 1.2535	11-Jan-2018	(15)
Bought CAD 896 Sold HKD 5 585 @ 0.1603	11-Jan-2018	(3)
Bought CAD 3 482 Sold GBP 2 104 @ 1.6551	11-Jan-2018	(89)
Bought CAD 1 846 Sold HKD 11 492 @ 0.1606	11-Jan-2018	(3)
Bought HKD 1 200 Sold CAD 198 @ 6.0715	11-Jan-2018	(5)
Bought HKD 1 270 Sold CAD 206 @ 6.1702	11-Jan-2018	(1)
Bought CAD 5 351 Sold JPY 480 170 @ 0.0111	12-Jan-2018	(8)
Bought CAD 665 Sold JPY 60 000 @ 0.0111	12-Jan-2018	(5)
Bought JPY 50 000 Sold CAD 564 @ 88.6770	12-Jan-2018	(6)
Bought JPY 78 200 Sold CAD 879 @ 89.0070	12-Jan-2018	(6)
Bought CAD 10 318 Sold EUR 6 971 @ 1.4801	19-Jan-2018	(205)

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

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED  
OVERSEAS EQUITY FUND**

December 31, 2017

**SCHEDULE A (cont.)****Foreign Exchange Contracts**

<b>Contracts</b>	<b>Maturity Date</b>	<b>Unrealized Loss</b>
Bought CAD 1 124 Sold EUR 750 @ 1.4986	19-Jan-2018	\$ (8)
Bought EUR 1 000 Sold CAD 1 518 @ 0.6589	19-Jan-2018	(8)
Bought EUR 701 Sold CAD 1 061 @ 0.6610	19-Jan-2018	(2)
Bought CAD 2 913 Sold THB 75 623 @ 0.0385	23-Jan-2018	(6)
Bought CAD 2 159 Sold ZAR 24 690 @ 0.0875	23-Jan-2018	(339)
Bought CAD 2 476 Sold ZAR 28 323 @ 0.0874	23-Jan-2018	(394)
Bought CAD 316 Sold ZAR 3 500 @ 0.0902	23-Jan-2018	(38)
Bought CAD 181 Sold ZAR 2 000 @ 0.0903	23-Jan-2018	(22)
Bought CAD 227 Sold ZAR 2 500 @ 0.0910	23-Jan-2018	(26)
Bought CAD 140 Sold ZAR 1 500 @ 0.0936	23-Jan-2018	(11)
Bought CAD 251 Sold ZAR 2 500 @ 0.1004	23-Jan-2018	(2)
Bought ZAR 2 200 Sold CAD 225 @ 9.7687	23-Jan-2018	(3)
Bought CAD 8 013 Sold GBP 4 862 @ 1.6481	24-Jan-2018	(242)
Bought CAD 676 Sold GBP 400 @ 1.6909	24-Jan-2018	(3)
Bought CAD 6 926 Sold EUR 4 639 @ 1.4931	29-Jan-2018	(80)
Bought CAD 2 802 Sold CHF 2 173 @ 1.2894	29-Jan-2018	(6)
Bought CAD 676 Sold EUR 450 @ 1.5028	29-Jan-2018	(3)
Bought CAD 1 003 Sold DKK 4 973 @ 0.2016	29-Jan-2018	(6)
Bought CAD 386 Sold CHF 300 @ 1.2882	29-Jan-2018	(1)
Bought CAD 4 519 Sold INR 230 945 @ 0.0196	06-Feb-2018	(11)
Bought CAD 2 300 Sold KRW 1 969 000 @ 0.0012	06-Feb-2018	(19)
Bought CAD 140 Sold KRW 120 000 @ 0.0012	06-Feb-2018	(1)
Bought KRW 70 000 Sold CAD 83 @ 841.0000	06-Feb-2018	(1)
Bought JPY 91 400 Sold CAD 1 047 @ 87.3110	07-Feb-2018	(26)
Bought USD 300 Sold CAD 380 @ 0.7885	09-Feb-2018	(4)
Bought USD 335 Sold CAD 431 @ 0.7778	09-Feb-2018	(10)
Bought CAD 1 270 Sold GBP 750 @ 1.6935	15-Feb-2018	(4)
Bought CAD 5 085 Sold ZAR 55 418 @ 0.0918	27-Feb-2018	(490)
Bought USD 890 Sold CAD 1 138 @ 0.7818	12-Mar-2018	(21)
Bought USD 415 Sold CAD 527 @ 0.7873	12-Mar-2018	(6)
		<u>\$ (2 575)</u>
<b>TOTAL FOREIGN EXCHANGE</b>		<u>\$ (1 167)</u>

All counterparties have a credit rating of at least A.

\* Investment in related party (see note 8 in the generic notes).

**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED  
OVERSEAS EQUITY FUND**
**Statements of Financial Position**
*(in \$000s except per unit amounts)*

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 192 650	\$ 162 487
Cash	196	452
Subscriptions receivable	51	96
Unrealized gain on foreign exchange contracts	1 408	3 347
<b>TOTAL ASSETS</b>	<b>194 305</b>	<b>166 382</b>
<b>LIABILITIES</b>		
Redemptions payable	10	22
Unrealized loss on foreign exchange contracts	2 575	1 234
Accounts payable and accrued expenses	31	38
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS</b>		
<b>ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>2 616</b>	<b>1 294</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 191 689</b>	<b>\$ 165 088</b>
Investments at cost	\$ 138 356	\$ 141 416
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 818</b>	<b>\$ 570</b>
<b>ADVISOR SERIES</b>	<b>\$ 1 491</b>	<b>\$ 1 675</b>
<b>SERIES D</b>	<b>\$ 14 618</b>	<b>\$ 13 610</b>
<b>SERIES F</b>	<b>\$ 9 589</b>	<b>\$ 2 956</b>
<b>SERIES O</b>	<b>\$ 165 173</b>	<b>\$ 146 277</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 11.69</b>	<b>\$ 9.38</b>
<b>ADVISOR SERIES</b>	<b>\$ 11.69</b>	<b>\$ 9.39</b>
<b>SERIES D</b>	<b>\$ 11.38</b>	<b>\$ 9.13</b>
<b>SERIES F</b>	<b>\$ 11.49</b>	<b>\$ 9.22</b>
<b>SERIES O</b>	<b>\$ 11.53</b>	<b>\$ 9.26</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Interest for distribution purposes	\$ (2)	\$ –
Other income received from underlying funds	3 955	4 558
Net realized gain (loss) on investments	7 038	5 233
Net gain (loss) on foreign currencies and other net assets	2 218	4 336
Change in unrealized gain (loss) on investments	29 943	(15 331)
<b>TOTAL INCOME (LOSS)</b>	<b>43 152</b>	<b>(1 204)</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	214	214
Administration fees	202	234
Independent Review Committee costs	3	2
GST/HST	37	40
<b>TOTAL EXPENSES</b>	<b>456</b>	<b>490</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 42 696</b>	<b>\$ (1 694)</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 137</b>	<b>\$ (24)</b>
<b>ADVISOR SERIES</b>	<b>\$ 331</b>	<b>\$ (34)</b>
<b>SERIES D</b>	<b>\$ 3 382</b>	<b>\$ (14)</b>
<b>SERIES F</b>	<b>\$ 814</b>	<b>\$ (30)</b>
<b>SERIES O</b>	<b>\$ 38 032</b>	<b>\$ (1 592)</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 2.30</b>	<b>\$ (0.37)</b>
<b>ADVISOR SERIES</b>	<b>\$ 2.30</b>	<b>\$ (0.18)</b>
<b>SERIES D</b>	<b>\$ 2.33</b>	<b>\$ (0.01)</b>
<b>SERIES F</b>	<b>\$ 2.30</b>	<b>\$ (0.08)</b>
<b>SERIES O</b>	<b>\$ 2.50</b>	<b>\$ (0.10)</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 42 696	\$ (1 694)
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(3 955)	(4 558)
Net realized loss (gain) on investments	(7 038)	(5 233)
Change in unrealized loss (gain) on investments	(29 943)	15 331
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	(7)	(4)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(14 390)	(30 875)
Proceeds from sale and maturity of investments	28 443	32 063
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>15 806</b>	<b>5 030</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	24 355	31 549
Cash paid on redemption of redeemable units	(38 192)	(34 099)
Distributions paid to holders of redeemable units	(2 225)	(2 494)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (16 062)</b>	<b>\$ (5 044)</b>
Net increase (decrease) in cash for the period	(256)	(14)
Cash (bank overdraft), beginning of period	452	466
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 196</b>	<b>\$ 452</b>
Interest received (paid)	\$ (2)	\$ —
Dividends received, net of withholding taxes	\$ —	\$ —

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 (see note 2 in the generic notes)	Series A		Advisor Series		Series D		Series F	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 570</b>	<b>\$ 733</b>	<b>\$ 1 675</b>	<b>\$ 1 675</b>	<b>\$ 13 610</b>	<b>\$ 11 977</b>	<b>\$ 2 956</b>	<b>\$ 3 268</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>137</b>	<b>(24)</b>	<b>331</b>	<b>(34)</b>	<b>3 382</b>	<b>(14)</b>	<b>814</b>	<b>(30)</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	245	8	253	370	2 286	3 872	8 009	1 235
Reinvestments of distributions to holders of redeemable units	—	4	—	10	100	188	19	33
Redemption of redeemable units	(134)	(147)	(768)	(335)	(4 641)	(2 207)	(2 115)	(1 498)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>111</b>	<b>(135)</b>	<b>(515)</b>	<b>45</b>	<b>(2 255)</b>	<b>1 853</b>	<b>5 913</b>	<b>(230)</b>
Distributions from net income	—	(4)	—	(11)	(119)	(206)	(94)	(52)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>—</b>	<b>(4)</b>	<b>—</b>	<b>(11)</b>	<b>(119)</b>	<b>(206)</b>	<b>(94)</b>	<b>(52)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>248</b>	<b>(163)</b>	<b>(184)</b>	<b>—</b>	<b>1 008</b>	<b>1 633</b>	<b>6 633</b>	<b>(312)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 818</b>	<b>\$ 570</b>	<b>\$ 1 491</b>	<b>\$ 1 675</b>	<b>\$ 14 618</b>	<b>\$ 13 610</b>	<b>\$ 9 589</b>	<b>\$ 2 956</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 146 277</b>	<b>\$ 153 811</b>	<b>\$ 165 088</b>	<b>\$ 171 464</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>38 032</b>	<b>(1 592)</b>	<b>42 696</b>	<b>(1 694)</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	14 322	26 112	25 115	31 597
Reinvestments of distributions to holders of redeemable units	1 140	1 347	1 259	1 582
Redemption of redeemable units	(31 327)	(29 598)	(38 985)	(33 785)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(15 865)</b>	<b>(2 139)</b>	<b>(12 611)</b>	<b>(606)</b>
Distributions from net income	(3 271)	(3 803)	(3 484)	(4 076)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(3 271)</b>	<b>(3 803)</b>	<b>(3 484)</b>	<b>(4 076)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>18 896</b>	<b>(7 534)</b>	<b>26 601</b>	<b>(6 376)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 165 173</b>	<b>\$ 146 277</b>	<b>\$ 191 689</b>	<b>\$ 165 088</b>

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



**PHILLIPS, HAGER & NORTH CURRENCY-HEDGED  
OVERSEAS EQUITY FUND**

December 31, 2017

**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

**Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
Europe ex-United Kingdom Equities	37.1	45.0
Pacific Rim ex-Japan Equities	20.0	17.4
United Kingdom Equities	19.5	13.4
Japan Equities	18.1	17.9
Middle East and Africa Equities	4.6	3.8
Cash/Other	0.7	2.5
Total	100.0	100.0

**Currency risk (% of NAV)**

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

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

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

	December 31 2017	December 31 2016
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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Mutual fund units	192 650	—	—	192 650
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	1 408	—	1 408
Derivatives – liabilities	—	(2 575)	—	(2 575)
Total financial instruments	192 650	(1 167)	—	191 483
% of total portfolio	100.6	(0.6)	—	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees*	Operating expenses <sup>†</sup>
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 <sup>‡</sup>	0.02%

\* 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%.

<sup>†</sup> Effective October 2, 2017, the administration fees for Series O units were reduced to 0.02% from 0.14%.

<sup>‡</sup> 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, 2017

**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 2017	December 31 2016
<b>Units held</b>		
Series A	66	66
Advisor Series	130	130
Series D	72	72
Series F	73	72
Series O	78	76
<b>Value of all units</b>	<b>5</b>	<b>4</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Overseas Equity Fund	100.5	15.9	98.4	16.0

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	3 635
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.

	2017	2016
For the periods ended December 31 (see note 2 in the generic notes)		
<b>Series A</b>		
Opening units	61	75
Issued number of units	22	2
Reinvested number of units	—	—
Redeemed number of units	(13)	(16)
Ending number of units	70	61

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

	2017	2016
<b>Advisor Series</b>		
Opening units	178	172
Issued number of units	25	41
Reinvested number of units	—	1
Redeemed number of units	(75)	(36)
Ending number of units	128	178
<b>Series D</b>		
Opening units	1 490	1 266
Issued number of units	217	445
Reinvested number of units	9	21
Redeemed number of units	(431)	(242)
Ending number of units	1 285	1 490
<b>Series F</b>		
Opening units	321	342
Issued number of units	719	139
Reinvested number of units	2	4
Redeemed number of units	(207)	(164)
Ending number of units	835	321
<b>Series O</b>		
Opening units	15 799	16 036
Issued number of units	1 411	2 878
Reinvested number of units	99	146
Redeemed number of units	(2 983)	(3 261)
Ending number of units	14 326	15 799

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH GLOBAL EQUITY FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>GLOBAL EQUITIES</b>				
<b>Belgium</b>				
52 669	Anheuser-Busch InBev S.A./N.V.	\$ 7 462	\$ 7 391	
		7 462	7 391	<b>2.9</b>
<b>Germany</b>				
146 432	Deutsche Post AG	5 964	8 760	
		5 964	8 760	<b>3.5</b>
<b>Hong Kong</b>				
598 888	AIA Group Ltd.	5 123	6 403	
		5 123	6 403	<b>2.5</b>
<b>India</b>				
83 524	HDFC Bank Ltd. ADR	6 338	10 680	
		6 338	10 680	<b>4.2</b>
<b>Ireland</b>				
48 280	Paddy Power Betfair Plc.	7 331	7 220	
		7 331	7 220	<b>2.9</b>
<b>Japan</b>				
61 988	Nidec Corp.	8 179	10 910	
		8 179	10 910	<b>4.3</b>
<b>Netherlands</b>				
112 310	Unilever N.V.	8 217	7 949	
		8 217	7 949	<b>3.2</b>
<b>South Africa</b>				
21 302	Naspers Ltd.	3 817	7 419	
		3 817	7 419	<b>3.0</b>
<b>Switzerland</b>				
36 159	Roche Holdings AG Genusscheine	11 871	11 493	
		11 871	11 493	<b>4.6</b>
<b>Taiwan</b>				
153 286	Taiwan Semiconductor Manufacturing Co. Ltd. ADR	5 292	7 643	
		5 292	7 643	<b>3.0</b>
<b>United Kingdom</b>				
22 186	Croda International Plc.	1 651	1 662	
98 659	InterContinental Hotels Group Plc.	6 220	7 888	
43 115	Rio Tinto Plc.	2 308	2 843	
214 138	St James's Place Plc.	3 351	4 447	
		13 530	16 840	<b>6.7</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United States</b>				
67 000	Activision Blizzard Inc.	\$ 3 822	\$ 5 333	
5 236	Alphabet Inc., Class A	4 859	6 933	
4 648	Amazon.com, Inc.	3 453	6 832	
194 024	Blackstone Group LP	7 429	7 809	
26 878	Citigroup Inc.	1 858	2 514	
70 829	Danaher Corp.	6 548	8 265	
88 388	EOG Resources Inc.	10 326	11 993	
70 018	Estée Lauder Companies Inc., Class A	7 511	11 200	
79 699	First Republic Bank	6 641	8 678	
106 052	Fortive Corp.	7 254	9 650	
42 565	Gartner Inc.	5 749	6 590	
44 064	Intuit Inc.	6 253	8 743	
19 900	MarketAxess Holdings Inc.	4 635	5 047	
65 200	Microsoft Corp.	6 642	7 015	
26 305	Occidental Petroleum Corp.	2 541	2 436	
28 894	Sempra Energy	4 125	3 885	
28 100	SVB Financial Group	6 368	8 257	
96 916	TJX Companies Inc.	8 269	9 315	
41 650	UnitedHealth Group Incorporated	6 689	11 558	
		110 972	142 053	<b>56.5</b>
<b>TOTAL GLOBAL EQUITIES</b>		194 096	244 761	<b>97.3</b>
<b>SHORT-TERM INVESTMENTS*</b>		6 020	6 020	<b>2.4</b>
<b>TOTAL INVESTMENTS</b>		\$ 200 116	250 781	<b>99.7</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				<b>687</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				<b>\$ 251 468</b>
				<b>100.0</b>

**SCHEDULE A****Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought GBP 59 Sold CAD 100 @ 0.5895	03-Jan-2018	\$ —
<b>TOTAL FOREIGN EXCHANGE</b>		<b>\$ —</b>

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 0.95% to 1.37% and mature between January 2, 2018 and January 30, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 250 781	\$ 159 445
Cash	260	323
Subscriptions receivable	687	194
Dividends receivable, interest accrued and other assets	60	77
<b>TOTAL ASSETS</b>	<b>251 788</b>	<b>160 039</b>
<b>LIABILITIES</b>		
Due to investment dealers	100	114
Redemptions payable	94	212
Accounts payable and accrued expenses	126	81
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>320</b>	<b>407</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 251 468</b>	<b>\$ 159 632</b>
Investments at cost	\$ 200 116	\$ 141 481
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 10 179</b>	<b>\$ 6 953</b>
<b>ADVISOR SERIES</b>	<b>\$ 6 386</b>	<b>\$ 3 353</b>
<b>SERIES D</b>	<b>\$ 82 019</b>	<b>\$ 52 931</b>
<b>SERIES F</b>	<b>\$ 16 903</b>	<b>\$ 7 292</b>
<b>SERIES O</b>	<b>\$ 135 981</b>	<b>\$ 89 103</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 17.85</b>	<b>\$ 14.36</b>
<b>ADVISOR SERIES</b>	<b>\$ 17.84</b>	<b>\$ 14.36</b>
<b>SERIES D</b>	<b>\$ 18.35</b>	<b>\$ 14.67</b>
<b>SERIES F</b>	<b>\$ 18.59</b>	<b>\$ 14.86</b>
<b>SERIES O</b>	<b>\$ 18.83</b>	<b>\$ 15.06</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 3 513	\$ 2 499
Interest for distribution purposes	28	4
Securities lending revenue (see note 7 in the generic notes)	19	8
Net realized gain (loss) on investments	12 598	6 144
Net gain (loss) on foreign currencies and other net assets	(393)	(38)
Change in unrealized gain (loss) on investments	32 701	(6 735)
<b>TOTAL INCOME (LOSS)</b>	<b>48 466</b>	<b>1 882</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	948	722
Administration fees	145	94
Independent Review Committee costs	3	2
GST/HST	97	73
Transaction costs	319	239
Withholding tax	385	230
<b>TOTAL EXPENSES</b>	<b>1 897</b>	<b>1 360</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 46 569</b>	<b>\$ 522</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 1 718</b>	<b>\$ (55)</b>
<b>ADVISOR SERIES</b>	<b>\$ 866</b>	<b>\$ (62)</b>
<b>SERIES D</b>	<b>\$ 14 551</b>	<b>\$ 67</b>
<b>SERIES F</b>	<b>\$ 2 342</b>	<b>\$ 63</b>
<b>SERIES O</b>	<b>\$ 27 092</b>	<b>\$ 509</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 3.45</b>	<b>\$ (0.11)</b>
<b>ADVISOR SERIES</b>	<b>\$ 3.35</b>	<b>\$ (0.25)</b>
<b>SERIES D</b>	<b>\$ 3.72</b>	<b>\$ 0.02</b>
<b>SERIES F</b>	<b>\$ 3.66</b>	<b>\$ 0.26</b>
<b>SERIES O</b>	<b>\$ 3.99</b>	<b>\$ 0.14</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 46 569	\$ 522
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(12 391)	(5 968)
Change in unrealized loss (gain) on investments	(32 701)	6 735
(Increase) decrease in accrued receivables	17	(37)
Increase (decrease) in accrued payables	45	5
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(194 157)	(141 275)
Proceeds from sale and maturity of investments	147 899	101 383
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(44 719)</b>	<b>(38 635)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	65 954	70 156
Cash paid on redemption of redeemable units	(20 083)	(30 957)
Distributions paid to holders of redeemable units	(1 215)	(716)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 44 656</b>	<b>\$ 38 483</b>
Net increase (decrease) in cash for the period	(63)	(152)
Cash (bank overdraft), beginning of period	323	475
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 260</b>	<b>\$ 323</b>
Interest received (paid)	\$ 26	\$ 4
Dividends received, net of withholding taxes	\$ 3 148	\$ 2 231

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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 6 953</b>	<b>\$ 7 246</b>	<b>\$ 3 353</b>	<b>\$ 3 686</b>	<b>\$ 52 931</b>	<b>\$ 52 874</b>	<b>\$ 7 292</b>	<b>\$ 2 536</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>1 718</b>	<b>(55)</b>	<b>866</b>	<b>(62)</b>	<b>14 551</b>	<b>67</b>	<b>2 342</b>	<b>63</b>
Early redemption fees	—	—	—	—	—	—	—	—
Proceeds from redeemable units issued	2 988	896	3 259	936	20 547	8 527	9 722	5 814
Reinvestments of distributions to holders of redeemable units	—	—	—	—	161	122	64	31
Redemption of redeemable units	(1 480)	(1 134)	(1 092)	(1 207)	(6 007)	(8 534)	(2 443)	(1 118)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>1 508</b>	<b>(238)</b>	<b>2 167</b>	<b>(271)</b>	<b>14 701</b>	<b>115</b>	<b>7 343</b>	<b>4 727</b>
Distributions from net income	—	—	—	—	(164)	(125)	(74)	(34)
Distributions from net gains	—	—	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(164)</b>	<b>(125)</b>	<b>(74)</b>	<b>(34)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>3 226</b>	<b>(293)</b>	<b>3 033</b>	<b>(333)</b>	<b>29 088</b>	<b>57</b>	<b>9 611</b>	<b>4 756</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 10 179</b>	<b>\$ 6 953</b>	<b>\$ 6 386</b>	<b>\$ 3 353</b>	<b>\$ 82 019</b>	<b>\$ 52 931</b>	<b>\$ 16 903</b>	<b>\$ 7 292</b>

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 89 103</b>	<b>\$ 54 566</b>	<b>\$ 159 632</b>	<b>\$ 120 908</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>27 092</b>	<b>509</b>	<b>46 569</b>	<b>522</b>
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	30 918	53 860	67 434	70 033
Reinvestments of distributions to holders of redeemable units	657	472	882	625
Redemption of redeemable units	(9 930)	(19 122)	(20 952)	(31 115)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>21 645</b>	<b>35 210</b>	<b>47 364</b>	<b>39 543</b>
Distributions from net income	(1 859)	(1 182)	(2 097)	(1 341)
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(1 859)</b>	<b>(1 182)</b>	<b>(2 097)</b>	<b>(1 341)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>46 878</b>	<b>34 537</b>	<b>91 836</b>	<b>38 724</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 135 981</b>	<b>\$ 89 103</b>	<b>\$ 251 468</b>	<b>\$ 159 632</b>

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

December 31, 2017

**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 5 in the generic notes)****Concentration risk (%)**

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

	December 31 2017	December 31 2016
Investment mix		
United States Equities	56.5	59.4
Europe ex-United Kingdom Equities	17.1	22.1
Pacific Rim ex-Japan Equities	9.7	6.8
United Kingdom Equities	6.7	4.9
Japan Equities	4.3	3.2
Middle East and Africa Equities	3.0	2.8
Cash/Other	2.7	0.8
Total	100.0	100.0

**Currency risk (% of NAV)**

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

	December 31 2017	December 31 2016
Currency		
United States dollar	63.9	65.3
Pound sterling	9.6	7.5
Euro	9.6	14.8
Swiss franc	4.6	2.6
Japanese yen	4.3	3.2
South African rand	3.0	2.8
Hong Kong dollar	2.5	1.1
Danish krone	–	2.2
Total	97.5	99.5

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 4.9% (December 31, 2016 – 5.0%). 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 NAV)**

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

	December 31 2017	December 31 2016
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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	160 376	84 385	–	244 761
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	6 020	–	6 020
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	160 376	90 405	–	250 781
% of total portfolio	64.0	36.0	–	100.0

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

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

December 31, 2017

### Management fees and operating expenses (see note 8 in the generic notes)

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

	Management fees	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 <sup>†</sup>	0.02%

\* Effective October 2, 2017, the administration fees for Series O units were reduced to 0.02% from 0.06%.

<sup>†</sup> 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 2017	December 31 2016
<b>Units held</b>		
Series A	67	67
Advisor Series	130	130
Series D	69	69
Series F	70	70
Series O	74	73
<b>Value of all units</b>	<b>7</b>	<b>6</b>

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

The non-capital and capital losses as at December 31, 2017 for the Fund were approximately:

Capital losses	58 085
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)

	2017	2016
<b>Series A</b>		
Opening units	484	501
Issued number of units	179	65
Reinvested number of units	—	—
Redeemed number of units	(93)	(82)
Ending number of units	570	484

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

	2017	2016
<b>Advisor Series</b>		
Opening units	233	255
Issued number of units	192	67
Reinvested number of units	—	—
Redeemed number of units	(67)	(89)
Ending number of units	358	233

<b>Series D</b>		
Opening units	3 609	3 600
Issued number of units	1 218	607
Reinvested number of units	9	8
Redeemed number of units	(366)	(606)
Ending number of units	4 470	3 609

<b>Series F</b>		
Opening units	491	171
Issued number of units	563	397
Reinvested number of units	3	2
Redeemed number of units	(148)	(79)
Ending number of units	909	491

<b>Series O</b>		
Opening units	5 917	3 619
Issued number of units	1 853	3 612
Reinvested number of units	34	31
Redeemed number of units	(584)	(1 345)
Ending number of units	7 220	5 917

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

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

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	319	100	239	100
Related-party brokerage commissions*	—	—	2	1
Commission arrangements <sup>†</sup>	—	—	—	—

\* See note 8 in the generic notes.

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

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

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

	December 31 2017	December 31 2016
Fair value of securities loaned	18 340	14 152
Fair value of collateral received	18 707	14 435

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



December 31, 2017

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 2017		December 31 2016	
	\$	%	\$	%
Gross revenue	<b>30</b>	<b>100</b>	12	100
RBC IS (paid)	<b>(8)</b>	<b>(28)</b>	(4)	(35)
Tax withheld	<b>(3)</b>	<b>(10)</b>	—	(2)
Fund revenue	<b>19</b>	<b>62</b>	8	63

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, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
2 963	Vanguard Real Estate Investment Trust Fund	\$ 251	\$ 309	
<b>TOTAL UNITED STATES EQUITIES</b>		<b>251</b>	<b>309</b>	<b>3.8</b>
Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
243 663	Phillips, Hager & North Bond Fund*	\$ 2 559	\$ 2 486	
41 741	Phillips, Hager & North Canadian Equity Underlying Fund*	455	506	
4 152	Phillips, Hager & North Canadian Money Market Fund*	42	42	
40 324	Phillips, Hager & North Conservative Equity Income Fund*	423	506	
283 856	Phillips, Hager & North Inflation-Linked Bond Fund*	3 110	2 574	
85 929	RBC QUBE Low Volatility Global Equity Fund*	1 412	1 568	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>8 001</b>	<b>7 682</b>	<b>95.6</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 8 252</b>	<b>7 991</b>	<b>99.4</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>46</b>	<b>0.6</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>\$ 8 037</b>	<b>100.0</b>

\* Investment in related party (see note 8 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)*

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 7 991	\$ 9 640
Cash	–	87
Due from investment dealers	76	–
Subscriptions receivable	2	1
<b>TOTAL ASSETS</b>	<b>8 069</b>	<b>9 728</b>
<b>LIABILITIES</b>		
Bank overdraft	20	–
Due to investment dealers	–	30
Redemptions payable	–	2
Distributions payable	7	5
Accounts payable and accrued expenses	5	4
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>32</b>	<b>41</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 8 037</b>	<b>\$ 9 687</b>
Investments at cost	\$ 8 252	\$ 9 346
<b>NAV</b>		
<b>SERIES D</b>	<b>\$ 4 504</b>	<b>\$ 6 306</b>
<b>SERIES O</b>	<b>\$ 3 533</b>	<b>\$ 3 381</b>
<b>NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 10.28</b>	<b>\$ 11.16</b>
<b>SERIES O</b>	<b>\$ 10.23</b>	<b>\$ 11.12</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 14	\$ 18
Interest for distribution purposes	(1)	–
Other income received from underlying funds	752	217
Capital gains received from underlying funds	57	100
Net realized gain (loss) on investments	99	49
Net gain (loss) on foreign currencies and other net assets	–	1
Change in unrealized gain (loss) on investments	(555)	152
<b>TOTAL INCOME (LOSS)</b>	<b>366</b>	<b>537</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	38	45
Administration fees	3	7
Independent Review Committee costs	3	2
GST/HST	4	5
Withholding tax	1	3
Expenses reimbursed by manager	(3)	(2)
<b>TOTAL EXPENSES</b>	<b>46</b>	<b>60</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 320</b>	<b>\$ 477</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES D</b>	<b>\$ 178</b>	<b>\$ 299</b>
<b>SERIES O</b>	<b>\$ 142</b>	<b>\$ 178</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 0.39</b>	<b>\$ 0.56</b>
<b>SERIES O</b>	<b>\$ 0.46</b>	<b>\$ 0.65</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 320	\$ 477
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(809)	(317)
Net realized loss (gain) on investments	(99)	(49)
Change in unrealized loss (gain) on investments	555	(152)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	1	—
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(1 637)	(11 300)
Proceeds from sale and maturity of investments	3 533	10 123
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>1 864</b>	<b>(1 218)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	1 319	4 090
Cash paid on redemption of redeemable units	(3 284)	(2 862)
Distributions paid to holders of redeemable units	(6)	(9)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (1 971)</b>	<b>\$ 1 219</b>
Net increase (decrease) in cash for the period	(107)	1
Cash (bank overdraft), beginning of period	87	86
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ (20)</b>	<b>\$ 87</b>
Interest received (paid)	\$ (1)	\$ —
Dividends received, net of withholding taxes	\$ 13	\$ 15

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	
	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 6 306</b>	<b>\$ 5 187</b>	<b>\$ 3 381</b>	<b>\$ 2 750</b>	<b>\$ 9 687</b>	<b>\$ 7 937</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>178</b>	<b>299</b>	<b>142</b>	<b>178</b>	<b>320</b>	<b>477</b>
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	399	2 959	921	1 125	1 320	4 084
Reinvestments of distributions to holders of redeemable units	485	199	415	138	900	337
Redemption of redeemable units	(2 371)	(2 134)	(911)	(673)	(3 282)	(2 807)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(1 487)</b>	<b>1 024</b>	<b>425</b>	<b>590</b>	<b>(1 062)</b>	<b>1 614</b>
Distributions from net income	(100)	(100)	(86)	(82)	(186)	(182)
Distributions from net gains	(106)	(104)	(82)	(55)	(188)	(159)
Distributions from capital	(287)	—	(247)	—	(534)	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(493)</b>	<b>(204)</b>	<b>(415)</b>	<b>(137)</b>	<b>(908)</b>	<b>(341)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(1 802)</b>	<b>1 119</b>	<b>152</b>	<b>631</b>	<b>(1 650)</b>	<b>1 750</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 4 504</b>	<b>\$ 6 306</b>	<b>\$ 3 533</b>	<b>\$ 3 381</b>	<b>\$ 8 037</b>	<b>\$ 9 687</b>

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

December 31, 2017

**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

**Credit risk (%)**

Credit-exposed securities, excluding short-term investments, comprise 62.9% (December 31, 2016 – 61.7%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	62.8	64.5
AA	24.3	17.3
A	7.8	10.6
BBB	4.6	7.3
BB	0.2	–
Unrated	0.3	0.3
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 2017	December 31 2016
Bonds	61.7	61.6
Canadian Equities	19.5	12.5
Global Equities	12.3	20.8
United States Equities	3.9	4.1
Cash/Other	2.6	1.0
Total	100.0	100.0

**Interest rate risk (%)**

Fixed-income and debt securities, excluding short-term investments, comprise 62.9% (December 31, 2016 – 61.7%) of the NAV 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 2017	December 31 2016
Less than 1 year	1.4	1.7
1 – 5 years	30.6	19.1
5 – 10 years	15.5	21.8
> 10 years	52.5	57.4
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 7.1% (December 31, 2016 – 7.3%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Currency risk (% of NAV)**

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

Currency	December 31 2017	December 31 2016
United States dollar	14.6	16.6
Japanese yen	2.7	2.7
Euro	1.6	1.3
Swiss franc	1.0	0.9
Hong Kong dollar	0.7	0.9
Israeli new shekel	–	0.5
Other currencies	1.2	1.0
Total	21.8	23.9

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.1% (December 31, 2016 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.2	+ or - 0.2

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

December 31, 2017

**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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>309</b>	–	–	<b>309</b>
<b>Mutual fund units</b>	<b>7 682</b>	–	–	<b>7 682</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>7 991</b>	–	–	<b>7 991</b>
<b>% of total portfolio</b>	<b>100.0</b>	–	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>395</b>	–	–	<b>395</b>
<b>Mutual fund units</b>	<b>9 245</b>	–	–	<b>9 245</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>9 640</b>	–	–	<b>9 640</b>
<b>% of total portfolio</b>	<b>100.0</b>	–	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	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 2017	December 31 2016
<b>Units held</b>		
Series D	<b>73</b>	65
Series O	<b>66</b>	58
<b>Value of all units</b>	<b>1</b>	1

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North Bond Fund	<b>30.9</b>	–	26.9	–
Phillips, Hager & North Canadian Equity Underlying Fund	<b>6.3</b>	–	6.2	–
Phillips, Hager & North Canadian Money Market Fund	<b>0.5</b>	–	0.5	–
Phillips, Hager & North Conservative Equity Income Fund	<b>6.3</b>	–	6.3	–
Phillips, Hager & North Inflation-Linked Bond Fund	<b>32.0</b>	<b>2.8</b>	34.7	4.0
RBC QUBE Low Volatility Global Equity Fund	<b>19.5</b>	<b>0.2</b>	20.8	0.3

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate Investment Trust Fund	<b>3.8</b>	–	4.1	–

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

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

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

December 31, 2017

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series D</b>		
Opening units	565	473
Issued number of units	36	263
Reinvested number of units	47	18
Redeemed number of units	(210)	(189)
Ending number of units	438	565
<b>Series O</b>		
Opening units	304	252
Issued number of units	81	99
Reinvested number of units	41	12
Redeemed number of units	(81)	(59)
Ending number of units	345	304

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, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
11 092	Vanguard Real Estate Investment Trust Fund	\$ 991	\$ 1 157	
<b>TOTAL UNITED STATES EQUITIES</b>		<b>991</b>	<b>1 157</b>	<b>3.9</b>
Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
158 006	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 1 737	\$ 1 917	
10 934	Phillips, Hager & North Canadian Equity Value Fund*	140	158	
15 021	Phillips, Hager & North Canadian Money Market Fund*	150	150	
134 788	Phillips, Hager & North Conservative Equity Income Fund*	1 428	1 692	
77 765	Phillips, Hager & North High Yield Bond Fund*	885	890	
1 716 983	Phillips, Hager & North Inflation-Linked Bond Fund*	18 855	15 570	
33 252	RBC Emerging Markets Equity Fund*	466	605	
64 380	RBC Global Equity Focus Fund*	805	1 046	
29 677	RBC QUBE Global Equity Fund*	366	340	
289 940	RBC QUBE Low Volatility Global Equity Fund*	4 808	5 290	
25 502	RBC U.S. Mid-Cap Value Equity Fund*	334	332	
8 404	RBC U.S. Small-Cap Value Equity Fund*	98	114	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>30 072</b>	<b>28 104</b>	<b>95.7</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 31 063</b>	<b>29 261</b>	<b>99.6</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>116</b>	<b>0.4</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>\$ 29 377</b>	<b>100.0</b>

\* Investment in related party (see note 8 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)*

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 29 261	\$ 32 631
Cash	–	58
Due from investment dealers	200	75
Subscriptions receivable	16	52
<b>TOTAL ASSETS</b>	<b>29 477</b>	<b>32 816</b>
<b>LIABILITIES</b>		
Bank overdraft	66	–
Redemptions payable	19	7
Distributions payable	–	19
Accounts payable and accrued expenses	15	16
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>100</b>	<b>42</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 29 377</b>	<b>\$ 32 774</b>
Investments at cost	\$ 31 063	\$ 31 357
<b>NAV</b>		
<b>SERIES D</b>	<b>\$ 15 940</b>	<b>\$ 21 368</b>
<b>SERIES O</b>	<b>\$ 13 437</b>	<b>\$ 11 406</b>
<b>NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 11.30</b>	<b>\$ 12.42</b>
<b>SERIES O</b>	<b>\$ 11.19</b>	<b>\$ 12.33</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 48	\$ 57
Interest for distribution purposes	1	–
Other income received from underlying funds	3 973	658
Capital gains received from underlying funds	332	281
Net realized gain (loss) on investments	418	100
Change in unrealized gain (loss) on investments	(3 076)	830
<b>TOTAL INCOME (LOSS)</b>	<b>1 696</b>	<b>1 926</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	147	146
Administration fees	17	12
Independent Review Committee costs	3	2
GST/HST	15	16
Withholding tax	4	9
Expenses reimbursed by manager	(3)	(2)
<b>TOTAL EXPENSES</b>	<b>183</b>	<b>183</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 1 513</b>	<b>\$ 1 743</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES D</b>	<b>\$ 818</b>	<b>\$ 1 060</b>
<b>SERIES O</b>	<b>\$ 695</b>	<b>\$ 683</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 0.56</b>	<b>\$ 0.72</b>
<b>SERIES O</b>	<b>\$ 0.70</b>	<b>\$ 0.83</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 1 513	\$ 1 743
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(4 305)	(939)
Net realized loss (gain) on investments	(418)	(100)
Change in unrealized loss (gain) on investments	3 076	(830)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	(1)	4
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(36 698)	(58 834)
Proceeds from sale and maturity of investments	41 590	50 753
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>4 757</b>	<b>(8 203)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	6 771	12 836
Cash paid on redemption of redeemable units	(11 586)	(4 591)
Distributions paid to holders of redeemable units	(66)	(8)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (4 881)</b>	<b>\$ 8 237</b>
Net increase (decrease) in cash for the period	(124)	34
Cash (bank overdraft), beginning of period	58	24
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ (66)</b>	<b>\$ 58</b>
Interest received (paid)	\$ 1	\$ —
Dividends received, net of withholding taxes	\$ 44	\$ 48

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	
	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 21 368</b>	<b>\$ 14 303</b>	<b>\$ 11 406</b>	<b>\$ 8 448</b>	<b>\$ 32 774</b>	<b>\$ 22 751</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>818</b>	<b>1 060</b>	<b>695</b>	<b>683</b>	<b>1 513</b>	<b>1 743</b>
Early redemption fees	—	1	—	—	—	1
Proceeds from redeemable units issued	<b>3 508</b>	9 397	<b>3 227</b>	3 486	<b>6 735</b>	12 883
Reinvestments of distributions to holders of redeemable units	<b>2 139</b>	420	<b>1 880</b>	332	<b>4 019</b>	752
Redemption of redeemable units	<b>(9 707)</b>	(3 374)	<b>(1 891)</b>	(1 211)	<b>(11 598)</b>	(4 585)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(4 060)</b>	6 444	<b>3 216</b>	2 607	<b>(844)</b>	9 051
Distributions from net income	<b>(334)</b>	(287)	<b>(289)</b>	(251)	<b>(623)</b>	(538)
Distributions from net gains	<b>(131)</b>	(152)	<b>(105)</b>	(81)	<b>(236)</b>	(233)
Distributions from capital	<b>(1 721)</b>	—	<b>(1 486)</b>	—	<b>(3 207)</b>	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(2 186)</b>	(439)	<b>(1 880)</b>	(332)	<b>(4 066)</b>	(771)
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(5 428)</b>	7 065	<b>2 031</b>	2 958	<b>(3 397)</b>	10 023
<b>NAV AT END OF PERIOD</b>	<b>\$ 15 940</b>	<b>\$ 21 368</b>	<b>\$ 13 437</b>	<b>\$ 11 406</b>	<b>\$ 29 377</b>	<b>\$ 32 774</b>

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

December 31, 2017

**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

**Credit risk (%)**

Credit-exposed securities, excluding short-term investments, comprise 56.0% (December 31, 2016 – 54.5%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	76.0	84.7
AA	18.8	3.9
A	–	5.5
BBB	0.5	1.6
BB	2.2	1.3
B	1.8	2.1
CCC	0.7	0.8
Unrated	–	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 2017	December 31 2016
Bonds	55.6	54.5
Global Equities	24.7	25.9
Canadian Equities	12.6	12.8
United States Equities	5.4	5.9
Cash/Other	1.7	0.9
Total	100.0	100.0

**Interest rate risk (%)**

Fixed-income and debt securities, excluding short-term investments, comprise 56.2% (December 31, 2016 – 54.5%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2017	December 31 2016
Term to maturity		
Less than 1 year	0.1	–
1 – 5 years	25.8	11.6
5 – 10 years	4.2	14.3
> 10 years	69.9	74.1
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 8.1% (December 31, 2016 – 8.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Currency risk (% of NAV)**

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

Currency	December 31 2017	December 31 2016
United States dollar	18.5	20.2
Japanese yen	2.7	2.4
Euro	2.0	1.9
Hong Kong dollar	1.1	1.2
Swiss franc	1.1	0.9
Pound sterling	0.8	0.9
Other currencies	2.5	3.0
Total	28.7	30.5

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.4% (December 31, 2016 – 1.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
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.

December 31, 2017

**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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>1 157</b>	–	–	<b>1 157</b>
<b>Mutual fund units</b>	<b>28 104</b>	–	–	<b>28 104</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>29 261</b>	–	–	<b>29 261</b>
<b>% of total portfolio</b>	<b>100.0</b>	–	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>1 290</b>	–	–	<b>1 290</b>
<b>Mutual fund units</b>	<b>31 341</b>	–	–	<b>31 341</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>32 631</b>	–	–	<b>32 631</b>
<b>% of total portfolio</b>	<b>100.0</b>	–	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	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 2017	December 31 2016
<b>Units held</b>		
Series D	<b>70</b>	61
Series O	<b>63</b>	54
<b>Value of all units</b>	<b>2</b>	1

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	<b>6.5</b>	<b>0.1</b>	6.4	0.1
Phillips, Hager & North				
Canadian Equity				
Value Fund	<b>0.5</b>	–	1.0	–
Phillips, Hager & North				
Canadian Money				
Market Fund	<b>0.5</b>	–	0.5	–
Phillips, Hager & North				
Conservative Equity				
Income Fund	<b>5.8</b>	<b>0.1</b>	5.4	0.1
Phillips, Hager & North				
High Yield Bond Fund	<b>3.0</b>	–	3.1	–
Phillips, Hager & North				
Inflation-Linked Bond Fund	<b>53.0</b>	<b>16.7</b>	46.0	18.1
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	–	–	5.3	2.5
RBC Emerging Markets				
Equity Fund	<b>2.1</b>	–	3.0	–
RBC Global Equity				
Focus Fund	<b>3.6</b>	–	4.8	0.1
RBC QUBE Global				
Equity Fund	<b>1.2</b>	<b>0.1</b>	1.7	0.2
RBC QUBE Low Volatility				
Global Equity Fund	<b>18.0</b>	<b>0.5</b>	16.4	0.7
RBC U.S. Mid-Cap Value				
Equity Fund	<b>1.1</b>	<b>0.1</b>	1.5	0.1
RBC U.S. Small-Cap Value				
Equity Fund	<b>0.4</b>	<b>0.2</b>	0.5	0.2

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

December 31, 2017

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate Investment Trust Fund	3.9	—	3.9	—

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

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

### **Redeemable units (000s)**

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

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

	2017	2016
<b>Series D</b>		
Opening units	1 720	1 198
Issued number of units	280	762
Reinvested number of units	189	34
Redeemed number of units	(779)	(274)
Ending number of units	1 410	1 720
<b>Series O</b>		
Opening units	925	713
Issued number of units	258	283
Reinvested number of units	168	27
Redeemed number of units	(150)	(98)
Ending number of units	1 201	925

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH LIFETIME 2025 FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
17 221	Vanguard Real Estate Investment Trust Fund	\$ 1 570	\$ 1 796	
<b>TOTAL UNITED STATES EQUITIES</b>		<b>1 570</b>	<b>1 796</b>	<b>4.9</b>
Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
215 097	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 2 372	\$ 2 610	
77 043	Phillips, Hager & North Canadian Equity Value Fund*	1 002	1 114	
15 381	Phillips, Hager & North Canadian Money Market Fund*	154	154	
95 321	Phillips, Hager & North Conservative Equity Income Fund*	1 025	1 197	
94 389	Phillips, Hager & North High Yield Bond Fund*	1 077	1 078	
959 131	Phillips, Hager & North Inflation-Linked Bond Fund*	10 501	8 698	
770 832	Phillips, Hager & North Long Inflation-linked Bond Fund*	8 969	8 919	
83 170	RBC Emerging Markets Equity Fund*	1 187	1 513	
185 856	RBC Global Equity Focus Fund*	2 335	3 020	
88 349	RBC QUBE Global Equity Fund*	1 099	1 012	
244 632	RBC QUBE Low Volatility Global Equity Fund*	4 064	4 463	
50 102	RBC U.S. Mid-Cap Value Equity Fund*	658	653	
16 572	RBC U.S. Small-Cap Value Equity Fund*	186	225	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>34 629</b>	<b>34 656</b>	<b>94.5</b>
<b>SHORT-TERM INVESTMENTS†</b>		<b>197</b>	<b>197</b>	<b>0.5</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 36 396</b>	<b>36 649</b>	<b>99.9</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>40</b>	<b>0.1</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>\$ 36 689</b>	<b>100.0</b>

\* Investment in related party (see note 8 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 0.95% and mature on January 2, 2018.

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



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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 36 649	\$ 32 057
Cash	28	62
Subscriptions receivable	24	57
<b>TOTAL ASSETS</b>	<b>36 701</b>	<b>32 176</b>
<b>LIABILITIES</b>		
Redemptions payable	—	58
Distributions payable	—	3
Accounts payable and accrued expenses	12	12
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>12</b>	<b>73</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 36 689</b>	<b>\$ 32 103</b>
Investments at cost	\$ 36 396	\$ 30 645
<b>NAV</b>		
<b>SERIES D</b>	<b>\$ 12 511</b>	<b>\$ 13 440</b>
<b>SERIES O</b>	<b>\$ 24 178</b>	<b>\$ 18 663</b>
<b>NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 12.28</b>	<b>\$ 12.53</b>
<b>SERIES O</b>	<b>\$ 12.19</b>	<b>\$ 12.44</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 71	\$ 71
Interest for distribution purposes	—	1
Other income received from underlying funds	2 646	663
Capital gains received from underlying funds	530	287
Net realized gain (loss) on investments	289	118
Net gain (loss) on foreign currencies and other net assets	(3)	3
Change in unrealized gain (loss) on investments	(1 159)	939
<b>TOTAL INCOME (LOSS)</b>	<b>2 374</b>	<b>2 082</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	108	101
Administration fees	17	15
Independent Review Committee costs	3	2
GST/HST	12	12
Withholding tax	6	11
Expenses reimbursed by manager	(3)	(2)
<b>TOTAL EXPENSES</b>	<b>143</b>	<b>139</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 2 231</b>	<b>\$ 1 943</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES D</b>	<b>\$ 734</b>	<b>\$ 750</b>
<b>SERIES O</b>	<b>\$ 1 497</b>	<b>\$ 1 193</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 0.73</b>	<b>\$ 0.79</b>
<b>SERIES O</b>	<b>\$ 0.90</b>	<b>\$ 0.91</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 2 231	\$ 1 943
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(3 176)	(950)
Net realized loss (gain) on investments	(289)	(118)
Change in unrealized loss (gain) on investments	1 159	(939)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	—	4
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(36 166)	(53 046)
Proceeds from sale and maturity of investments	33 880	46 265
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(2 361)</b>	<b>(6 841)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	7 272	10 259
Cash paid on redemption of redeemable units	(4 942)	(3 383)
Distributions paid to holders of redeemable units	(3)	1
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 2 327</b>	<b>\$ 6 877</b>
Net increase (decrease) in cash for the period	(34)	36
Cash (bank overdraft), beginning of period	62	26
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 28</b>	<b>\$ 62</b>
Interest received (paid)	\$ —	\$ 1
Dividends received, net of withholding taxes	\$ 65	\$ 60

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	
	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 13 440</b>	<b>\$ 9 384</b>	<b>\$ 18 663</b>	<b>\$ 13 925</b>	<b>\$ 32 103</b>	<b>\$ 23 309</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>734</b>	<b>750</b>	<b>1 497</b>	<b>1 193</b>	<b>2 231</b>	<b>1 943</b>
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	1 311	4 975	6 062	5 318	7 373	10 293
Reinvestments of distributions to holders of redeemable units	947	294	2 029	584	2 976	878
Redemption of redeemable units	(2 973)	(1 668)	(2 045)	(1 773)	(5 018)	(3 441)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(715)</b>	<b>3 601</b>	<b>6 046</b>	<b>4 129</b>	<b>5 331</b>	<b>7 730</b>
Distributions from net income	(273)	(178)	(595)	(421)	(868)	(599)
Distributions from net gains	(141)	(117)	(270)	(163)	(411)	(280)
Distributions from capital	(534)	—	(1 163)	—	(1 697)	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(948)</b>	<b>(295)</b>	<b>(2 028)</b>	<b>(584)</b>	<b>(2 976)</b>	<b>(879)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(929)</b>	<b>4 056</b>	<b>5 515</b>	<b>4 738</b>	<b>4 586</b>	<b>8 794</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 12 511</b>	<b>\$ 13 440</b>	<b>\$ 24 178</b>	<b>\$ 18 663</b>	<b>\$ 36 689</b>	<b>\$ 32 103</b>

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

December 31, 2017

**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

**Credit risk (%)**

Credit-exposed securities, excluding short-term investments, comprise 51.0% (December 31, 2016 – 51.0%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	85.2	90.0
AA	9.2	1.7
A	–	2.5
BBB	0.5	1.3
BB	2.4	1.4
B	1.9	2.2
CCC	0.8	0.8
Unrated	–	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 2017	December 31 2016
Bonds	50.6	51.1
Global Equities	27.1	27.0
Canadian Equities	13.1	13.1
United States Equities	7.3	7.8
Cash/Other	1.9	1.0
Total	100.0	100.0

**Interest rate risk (%)**

Fixed-income and debt securities, excluding short-term investments, comprise 51.0% (December 31, 2016 – 51.1%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2017	December 31 2016
Term to maturity		
Less than 1 year	0.2	–
1 – 5 years	14.1	7.1
5 – 10 years	3.3	7.8
> 10 years	82.4	85.1
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 11.0% (December 31, 2016 – 10.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Currency risk (% of NAV)**

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

Currency	December 31 2017	December 31 2016
United States dollar	21.4	22.3
Japanese yen	2.2	1.9
Euro	2.1	2.4
Pound sterling	1.3	1.3
Hong Kong dollar	1.3	1.1
Swiss franc	1.1	0.9
South African rand	0.8	0.7
Indian rupee	0.5	–
Other currencies	2.7	2.7
Total	33.4	33.3

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.7% (December 31, 2016 – 1.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.4	+ or - 0.3

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

December 31, 2017

**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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>1 796</b>	–	–	<b>1 796</b>
<b>Mutual fund units</b>	<b>34 656</b>	–	–	<b>34 656</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	197	–	197
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>36 452</b>	<b>197</b>	–	<b>36 649</b>
<b>% of total portfolio</b>	<b>99.5</b>	<b>0.5</b>	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>1 635</b>	–	–	<b>1 635</b>
<b>Mutual fund units</b>	<b>30 290</b>	–	–	<b>30 290</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	132	–	132
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>31 925</b>	<b>132</b>	–	<b>32 057</b>
<b>% of total portfolio</b>	<b>99.6</b>	<b>0.4</b>	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	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 2017	December 31 2016
<b>Units held</b>		
Series D	66	61
Series O	60	55
<b>Value of all units</b>	<b>2</b>	<b>1</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	7.1	0.1	6.9	0.1
Phillips, Hager & North				
Canadian Equity				
Value Fund	3.0	0.1	3.6	0.1
Phillips, Hager & North				
Canadian Money				
Market Fund	0.4	–	0.5	–
Phillips, Hager & North				
Conservative Equity				
Income Fund	3.3	0.1	2.8	0.1
Phillips, Hager & North				
High Yield Bond Fund	2.9	–	3.1	–
Phillips, Hager & North				
Inflation-Linked Bond Fund	23.7	9.3	19.1	7.4
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	24.4	9.9	28.7	13.1
RBC Emerging Markets				
Equity Fund	4.1	–	3.8	–
RBC Global Equity				
Focus Fund	8.2	0.1	9.0	0.1
RBC QUBE Global				
Equity Fund	2.8	0.3	3.1	0.3
RBC QUBE Low Volatility				
Global Equity Fund	12.2	0.4	11.1	0.5
RBC U.S. Mid-Cap Value				
Equity Fund	1.8	0.1	2.0	0.1
RBC U.S. Small-Cap Value				
Equity Fund	0.6	0.3	0.7	0.3

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

December 31, 2017

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate Investment Trust Fund	4.9	—	5.1	—

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

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

### **Redeemable units (000s)**

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

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

	2017	2016
<b>Series D</b>		
Opening units	1 073	781
Issued number of units	103	403
Reinvested number of units	77	23
Redeemed number of units	(234)	(134)
Ending number of units	1 019	1 073
<b>Series O</b>		
Opening units	1 501	1 168
Issued number of units	476	429
Reinvested number of units	166	47
Redeemed number of units	(160)	(143)
Ending number of units	1 983	1 501

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH LIFETIME 2030 FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
17 709	Vanguard Real Estate Investment Trust Fund	\$ 1 688	\$ 1 847	
<b>TOTAL UNITED STATES EQUITIES</b>		<b>1 688</b>	<b>1 847</b>	<b>4.7</b>
Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
236 208	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 2 620	\$ 2 866	
149 900	Phillips, Hager & North Canadian Equity Value Fund*	1 973	2 167	
17 156	Phillips, Hager & North Canadian Money Market Fund*	172	172	
15 371	Phillips, Hager & North Conservative Equity Income Fund*	179	193	
171 454	Phillips, Hager & North High Yield Bond Fund*	1 959	1 959	
42 004	Phillips, Hager & North Inflation-Linked Bond Fund*	456	381	
1 481 556	Phillips, Hager & North Long Inflation-linked Bond Fund*	17 275	17 143	
99 309	RBC Emerging Markets Equity Fund*	1 418	1 807	
301 307	RBC Global Equity Focus Fund*	3 854	4 896	
141 840	RBC QUBE Global Equity Fund*	1 761	1 624	
133 480	RBC QUBE Low Volatility Global Equity Fund*	2 261	2 435	
70 472	RBC U.S. Mid-Cap Value Equity Fund*	928	918	
24 209	RBC U.S. Small-Cap Value Equity Fund*	286	329	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>35 142</b>	<b>36 890</b>	<b>94.6</b>
<b>SHORT-TERM INVESTMENTS†</b>		<b>223</b>	<b>223</b>	<b>0.6</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 37 053</b>	<b>38 960</b>	<b>99.9</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>44</b>	<b>0.1</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>\$ 39 004</b>	<b>100.0</b>

\* Investment in related party (see note 8 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 0.95% and mature on January 2, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 38 960	\$ 31 767
Cash	27	29
Subscriptions receivable	25	24
<b>TOTAL ASSETS</b>	<b>39 012</b>	<b>31 820</b>
<b>LIABILITIES</b>		
Redemptions payable	—	29
Distributions payable	—	1
Accounts payable and accrued expenses	8	7
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>8</b>	<b>37</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 39 004</b>	<b>\$ 31 783</b>
Investments at cost	\$ 37 053	\$ 30 564
<b>NAV</b>		
<b>SERIES D</b>	<b>\$ 7 146</b>	<b>\$ 7 614</b>
<b>SERIES O</b>	<b>\$ 31 858</b>	<b>\$ 24 169</b>
<b>NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 12.75</b>	<b>\$ 12.32</b>
<b>SERIES O</b>	<b>\$ 12.65</b>	<b>\$ 12.23</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 72	\$ 66
Interest for distribution purposes	1	1
Other income received from underlying funds	1 139	684
Capital gains received from underlying funds	684	299
Net realized gain (loss) on investments	262	201
Net gain (loss) on foreign currencies and other net assets	(1)	(2)
Change in unrealized gain (loss) on investments	704	773
<b>TOTAL INCOME (LOSS)</b>	<b>2 861</b>	<b>2 022</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	65	49
Administration fees	18	13
Independent Review Committee costs	3	2
GST/HST	8	6
Withholding tax	7	10
Expenses reimbursed by manager	(3)	(2)
<b>TOTAL EXPENSES</b>	<b>98</b>	<b>78</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 2 763</b>	<b>\$ 1 944</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES D</b>	<b>\$ 489</b>	<b>\$ 340</b>
<b>SERIES O</b>	<b>\$ 2 274</b>	<b>\$ 1 604</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 0.86</b>	<b>\$ 0.78</b>
<b>SERIES O</b>	<b>\$ 1.04</b>	<b>\$ 0.96</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 2 763	\$ 1 944
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(1 823)	(983)
Net realized loss (gain) on investments	(262)	(201)
Change in unrealized loss (gain) on investments	(704)	(773)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	1	3
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(45 065)	(41 927)
Proceeds from sale and maturity of investments	40 661	32 905
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(4 429)</b>	<b>(9 032)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	8 560	10 686
Cash paid on redemption of redeemable units	(4 133)	(1 662)
Distributions paid to holders of redeemable units	—	1
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 4 427</b>	<b>\$ 9 025</b>
Net increase (decrease) in cash for the period	(2)	(7)
Cash (bank overdraft), beginning of period	29	36
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 27</b>	<b>\$ 29</b>
Interest received (paid)	\$ 1	\$ 1
Dividends received, net of withholding taxes	\$ 65	\$ 56

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	
	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 7 614</b>	<b>\$ 3 752</b>	<b>\$ 24 169</b>	<b>\$ 17 077</b>	<b>\$ 31 783</b>	<b>\$ 20 829</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>489</b>	<b>340</b>	<b>2 274</b>	<b>1 604</b>	<b>2 763</b>	<b>1 944</b>
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	<b>1 061</b>	3 865	<b>7 500</b>	6 819	<b>8 561</b>	10 684
Reinvestments of distributions to holders of redeemable units	<b>247</b>	234	<b>1 397</b>	977	<b>1 644</b>	1 211
Redemption of redeemable units	<b>(2 018)</b>	(343)	<b>(2 086)</b>	(1 332)	<b>(4 104)</b>	(1 675)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(710)</b>	3 756	<b>6 811</b>	6 464	<b>6 101</b>	10 220
Distributions from net income	<b>(139)</b>	(108)	<b>(900)</b>	(578)	<b>(1 039)</b>	(686)
Distributions from net gains	<b>(98)</b>	(126)	<b>(432)</b>	(398)	<b>(530)</b>	(524)
Distributions from capital	<b>(10)</b>	—	<b>(64)</b>	—	<b>(74)</b>	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(247)</b>	(234)	<b>(1 396)</b>	(976)	<b>(1 643)</b>	(1 210)
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(468)</b>	3 862	<b>7 689</b>	7 092	<b>7 221</b>	10 954
<b>NAV AT END OF PERIOD</b>	<b>\$ 7 146</b>	<b>\$ 7 614</b>	<b>\$ 31 858</b>	<b>\$ 24 169</b>	<b>\$ 39 004</b>	<b>\$ 31 783</b>

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

December 31, 2017

**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

**Credit risk (%)**

Credit-exposed securities, excluding short-term investments, comprise 50.0% (December 31, 2016 – 49.3%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	88.9	90.4
AA	0.6	—
A	0.3	0.1
BBB	1.1	1.8
BB	4.2	2.4
B	3.4	3.7
CCC	1.4	1.4
Unrated	0.1	0.2
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 2017	December 31 2016
Bonds	49.5	49.3
Global Equities	27.3	28.0
Canadian Equities	13.1	13.2
United States Equities	7.9	8.5
Cash/Other	2.2	1.0
Total	100.0	100.0

**Interest rate risk (%)**

Fixed-income and debt securities, excluding short-term investments, comprise 50.0% (December 31, 2016 – 49.4%) of the NAV 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 2017	December 31 2016
Less than 1 year	0.3	—
1 – 5 years	5.4	5.6
5 – 10 years	4.0	4.2
> 10 years	90.3	90.2
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 13.5% (December 31, 2016 – 11.7%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Currency risk (% of NAV)**

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

Currency	December 31 2017	December 31 2016
United States dollar	22.4	22.9
Euro	2.2	2.9
Pound sterling	1.7	1.7
Japanese yen	1.7	1.4
Hong Kong dollar	1.3	1.1
Swiss franc	1.1	0.8
South African rand	1.0	0.9
Indian rupee	0.7	—
South Korean won	0.5	0.5
Other currencies	2.4	2.7
Total	35.0	34.9

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.8% (December 31, 2016 – 1.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
Total Return Index	+ 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.

December 31, 2017

**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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>1 847</b>	–	–	<b>1 847</b>
<b>Mutual fund units</b>	<b>36 890</b>	–	–	<b>36 890</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	223	–	223
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>38 737</b>	<b>223</b>	–	<b>38 960</b>
<b>% of total portfolio</b>	<b>99.4</b>	<b>0.6</b>	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>1 566</b>	–	–	<b>1 566</b>
<b>Mutual fund units</b>	<b>30 022</b>	–	–	<b>30 022</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	179	–	179
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>31 588</b>	<b>179</b>	–	<b>31 767</b>
<b>% of total portfolio</b>	<b>99.4</b>	<b>0.6</b>	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	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 2017	December 31 2016
<b>Units held</b>		
Series D	65	63
Series O	58	56
<b>Value of all units</b>	<b>2</b>	<b>1</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	7.3	0.1	7.2	0.1
Phillips, Hager & North				
Canadian Equity				
Value Fund	5.6	0.2	5.7	0.2
Phillips, Hager & North				
Canadian Money				
Market Fund	0.4	–	0.4	–
Phillips, Hager & North				
Conservative Equity				
Income Fund	0.5	–	0.3	–
Phillips, Hager & North				
High Yield Bond Fund	5.0	–	4.9	–
Phillips, Hager & North				
Inflation-Linked Bond Fund	1.0	0.4	–	–
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	44.0	19.1	44.4	20.0
RBC Emerging Markets				
Equity Fund	4.6	–	4.9	0.1
RBC Global Equity				
Focus Fund	12.6	0.2	13.1	0.2
RBC QUBE Global				
Equity Fund	4.2	0.6	4.5	0.4
RBC QUBE Low Volatility				
Global Equity Fund	6.2	0.2	5.5	0.2
RBC U.S. Mid-Cap Value				
Equity Fund	2.4	0.1	2.6	0.1
RBC U.S. Small-Cap Value				
Equity Fund	0.8	0.5	1.0	0.4

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

December 31, 2017

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate Investment Trust Fund	<b>4.7</b>	–	4.9	–

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

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

### **Redeemable units (000s)**

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

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

	<b>2017</b>	2016
<b>Series D</b>		
Opening units	<b>618</b>	316
Issued number of units	<b>86</b>	311
Reinvested number of units	<b>19</b>	19
Redeemed number of units	<b>(162)</b>	(28)
Ending number of units	<b>561</b>	618
<b>Series O</b>		
Opening units	<b>1 976</b>	1 450
Issued number of units	<b>598</b>	554
Reinvested number of units	<b>110</b>	80
Redeemed number of units	<b>(166)</b>	(108)
Ending number of units	<b>2 518</b>	1 976

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH LIFETIME 2035 FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
22 594	Vanguard Real Estate Investment Trust Fund	\$ 2 071	\$ 2 356	
<b>TOTAL UNITED STATES EQUITIES</b>		<b>2 071</b>	<b>2 356</b>	<b>4.9</b>
Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
286 264	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 3 167	\$ 3 473	
206 730	Phillips, Hager & North Canadian Equity Value Fund*	2 714	2 989	
20 925	Phillips, Hager & North Canadian Money Market Fund*	209	209	
208 719	Phillips, Hager & North High Yield Bond Fund*	2 391	2 386	
1 680 764	Phillips, Hager & North Long Inflation-linked Bond Fund*	19 556	19 448	
177 804	RBC Emerging Markets Equity Fund*	2 547	3 235	
480 684	RBC Global Equity Focus Fund*	6 068	7 810	
227 948	RBC QUBE Global Equity Fund*	2 832	2 610	
49 783	RBC QUBE Low Volatility Global Equity Fund*	853	908	
111 139	RBC U.S. Mid-Cap Value Equity Fund*	1 458	1 448	
37 545	RBC U.S. Small-Cap Value Equity Fund*	422	511	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>42 217</b>	<b>45 027</b>	<b>94.6</b>
<b>SHORT-TERM INVESTMENTS†</b>		<b>187</b>	<b>187</b>	<b>0.4</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 44 475</b>	<b>47 570</b>	<b>99.9</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>25</b>	<b>0.1</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>\$ 47 595</b>	<b>100.0</b>

\* Investment in related party (see note 8 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 0.95% and mature on January 2, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 47 570	\$ 37 132
Cash	31	45
Subscriptions receivable	195	65
<b>TOTAL ASSETS</b>	<b>47 796</b>	<b>37 242</b>
<b>LIABILITIES</b>		
Due to investment dealers	191	50
Redemptions payable	1	1
Distributions payable	—	10
Accounts payable and accrued expenses	9	7
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS</b>		
<b>ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>201</b>	<b>68</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 47 595</b>	<b>\$ 37 174</b>
Investments at cost	\$ 44 475	\$ 35 474
<b>NAV</b>		
<b>SERIES D</b>	<b>\$ 6 996</b>	<b>\$ 6 356</b>
<b>SERIES O</b>	<b>\$ 40 599</b>	<b>\$ 30 818</b>
<b>NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 13.13</b>	<b>\$ 12.52</b>
<b>SERIES O</b>	<b>\$ 13.04</b>	<b>\$ 12.43</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 86	\$ 80
Interest for distribution purposes	1	1
Other income received from underlying funds	1 251	792
Capital gains received from underlying funds	950	373
Net realized gain (loss) on investments	203	249
Net gain (loss) on foreign currencies and other net assets	(3)	(2)
Change in unrealized gain (loss) on investments	1 437	975
<b>TOTAL INCOME (LOSS)</b>	<b>3 925</b>	<b>2 468</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	63	56
Administration fees	22	13
Independent Review Committee costs	3	2
GST/HST	8	7
Withholding tax	8	12
Expenses reimbursed by manager	(3)	(2)
<b>TOTAL EXPENSES</b>	<b>101</b>	<b>88</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 3 824</b>	<b>\$ 2 380</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES D</b>	<b>\$ 536</b>	<b>\$ 403</b>
<b>SERIES O</b>	<b>\$ 3 288</b>	<b>\$ 1 977</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 1.04</b>	<b>\$ 0.86</b>
<b>SERIES O</b>	<b>\$ 1.21</b>	<b>\$ 0.96</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 3 824	\$ 2 380
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(2 201)	(1 165)
Net realized loss (gain) on investments	(203)	(249)
Change in unrealized loss (gain) on investments	(1 437)	(975)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	2	—
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(51 684)	(49 620)
Proceeds from sale and maturity of investments	45 228	41 349
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(6 471)</b>	<b>(8 280)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	10 200	10 714
Cash paid on redemption of redeemable units	(3 725)	(2 381)
Distributions paid to holders of redeemable units	(18)	(25)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 6 457</b>	<b>\$ 8 308</b>
Net increase (decrease) in cash for the period	(14)	28
Cash (bank overdraft), beginning of period	45	17
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 31</b>	<b>\$ 45</b>
Interest received (paid)	\$ 1	\$ 1
Dividends received, net of withholding taxes	\$ 78	\$ 68

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	
	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 6 356</b>	<b>\$ 5 209</b>	<b>\$ 30 818</b>	<b>\$ 21 230</b>	<b>\$ 37 174</b>	<b>\$ 26 439</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>536</b>	<b>403</b>	<b>3 288</b>	<b>1 977</b>	<b>3 824</b>	<b>2 380</b>
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	791	1 164	9 539	9 580	10 330	10 744
Reinvestments of distributions to holders of redeemable units	219	183	1 708	1 255	1 927	1 438
Redemption of redeemable units	(677)	(411)	(3 048)	(1 971)	(3 725)	(2 382)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>333</b>	<b>936</b>	<b>8 199</b>	<b>8 864</b>	<b>8 532</b>	<b>9 800</b>
Distributions from net income	(124)	(82)	(1 104)	(720)	(1 228)	(802)
Distributions from net gains	(105)	(110)	(602)	(533)	(707)	(643)
Distributions from capital	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(229)</b>	<b>(192)</b>	<b>(1 706)</b>	<b>(1 253)</b>	<b>(1 935)</b>	<b>(1 445)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>640</b>	<b>1 147</b>	<b>9 781</b>	<b>9 588</b>	<b>10 421</b>	<b>10 735</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 6 996</b>	<b>\$ 6 356</b>	<b>\$ 40 599</b>	<b>\$ 30 818</b>	<b>\$ 47 595</b>	<b>\$ 37 174</b>

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

December 31, 2017

**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

**Credit risk (%)**

Credit-exposed securities, excluding short-term investments, comprise 45.9% (December 31, 2016 – 45.3%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	89.1	89.6
A	0.1	0.2
BBB	1.0	1.9
BB	4.5	2.6
B	3.7	4.0
CCC	1.5	1.5
Unrated	0.1	0.2
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 2017	December 31 2016
Bonds	45.4	45.3
Global Equities	30.3	30.3
Canadian Equities	13.3	13.6
United States Equities	9.0	9.7
Cash/Other	2.0	1.1
Total	100.0	100.0

**Interest rate risk (%)**

Fixed-income and debt securities, excluding short-term investments, comprise 45.9% (December 31, 2016 – 45.2%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2017	December 31 2016
Term to maturity		
Less than 1 year	0.3	–
1 – 5 years	5.4	6.2
5 – 10 years	4.3	4.6
> 10 years	90.0	89.2
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 12.4% (December 31, 2016 – 10.6%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Currency risk (% of NAV)**

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

Currency	December 31 2017	December 31 2016
United States dollar	24.3	25.0
Euro	2.3	3.4
Pound sterling	2.2	2.1
Hong Kong dollar	1.5	1.1
South African rand	1.4	1.2
Japanese yen	1.3	1.0
Swiss franc	1.1	0.8
Indian rupee	0.9	0.5
South Korean won	0.7	0.7
New Taiwan dollar	0.6	0.6
Danish krone	–	0.6
Other currencies	2.6	1.7
Total	38.9	38.7

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 1.9% (December 31, 2016 – 2.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.5	+ 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.

December 31, 2017

**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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>2 356</b>	–	–	<b>2 356</b>
<b>Mutual fund units</b>	<b>45 027</b>	–	–	<b>45 027</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
<b>Short-term investments</b>	–	<b>187</b>	–	<b>187</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>47 383</b>	<b>187</b>	–	<b>47 570</b>
<b>% of total portfolio</b>	<b>99.6</b>	<b>0.4</b>	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>1 839</b>	–	–	<b>1 839</b>
<b>Mutual fund units</b>	<b>35 115</b>	–	–	<b>35 115</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
<b>Short-term investments</b>	–	<b>178</b>	–	<b>178</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>36 954</b>	<b>178</b>	–	<b>37 132</b>
<b>% of total portfolio</b>	<b>99.5</b>	<b>0.5</b>	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	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 2017	December 31 2016
<b>Units held</b>		
Series D	<b>65</b>	63
Series O	<b>58</b>	55
<b>Value of all units</b>	<b>2</b>	1

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	<b>7.3</b>	<b>0.1</b>	7.3	0.1
Phillips, Hager & North				
Canadian Equity				
Value Fund	<b>6.3</b>	<b>0.2</b>	6.2	0.2
Phillips, Hager & North				
Canadian Money				
Market Fund	<b>0.4</b>	–	0.5	–
Phillips, Hager & North				
High Yield Bond Fund	<b>5.0</b>	<b>0.1</b>	5.0	–
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	<b>40.9</b>	<b>21.6</b>	40.4	21.2
RBC Emerging Markets				
Equity Fund	<b>6.8</b>	<b>0.1</b>	6.4	0.1
RBC Global Equity				
Focus Fund	<b>16.4</b>	<b>0.3</b>	17.3	0.3
RBC QUBE Global				
Equity Fund	<b>5.5</b>	<b>0.9</b>	5.8	0.6
RBC QUBE Low Volatility				
Global Equity Fund	<b>1.9</b>	<b>0.1</b>	0.8	–
RBC U.S. Mid-Cap Value				
Equity Fund	<b>3.0</b>	<b>0.2</b>	3.5	0.2
RBC U.S. Small-Cap Value				
Equity Fund	<b>1.1</b>	<b>0.7</b>	1.3	0.7

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

December 31, 2017

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate Investment Trust Fund	4.9	—	4.9	—

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

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

### **Redeemable units (000s)**

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

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

	2017	2016
<b>Series D</b>		
Opening units	508	432
Issued number of units	61	93
Reinvested number of units	17	15
Redeemed number of units	(53)	(32)
Ending number of units	533	508
<b>Series O</b>		
Opening units	2 480	1 771
Issued number of units	741	766
Reinvested number of units	131	101
Redeemed number of units	(238)	(158)
Ending number of units	3 114	2 480

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH LIFETIME 2040 FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
21 750	Vanguard Real Estate Investment Trust Fund	\$ 2 029	\$ 2 268	
<b>TOTAL UNITED STATES EQUITIES</b>		<b>2 029</b>	<b>2 268</b>	<b>4.8</b>
Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
286 607	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 3 200	\$ 3 477	
238 018	Phillips, Hager & North Canadian Equity Value Fund*	3 153	3 441	
18 102	Phillips, Hager & North Canadian Money Market Fund*	181	181	
209 454	Phillips, Hager & North High Yield Bond Fund*	2 401	2 395	
1 438 898	Phillips, Hager & North Long Inflation-linked Bond Fund*	16 689	16 650	
217 444	RBC Emerging Markets Equity Fund*	3 149	3 956	
567 353	RBC Global Equity Focus Fund*	7 257	9 218	
265 530	RBC QUBE Global Equity Fund*	3 301	3 040	
151 209	RBC U.S. Mid-Cap Value Equity Fund*	1 995	1 970	
52 635	RBC U.S. Small-Cap Value Equity Fund*	608	716	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>41 934</b>	<b>45 044</b>	<b>94.6</b>
<b>SHORT-TERM INVESTMENTS†</b>		<b>259</b>	<b>259</b>	<b>0.5</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 44 222</b>	<b>47 571</b>	<b>99.9</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>66</b>	<b>0.1</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>\$ 47 637</b>	<b>100.0</b>

\* Investment in related party (see note 8 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 0.95% and mature on January 2, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 47 571	\$ 35 349
Cash	31	46
Subscriptions receivable	45	112
<b>TOTAL ASSETS</b>	<b>47 647</b>	<b>35 507</b>
<b>LIABILITIES</b>		
Redemptions payable	3	14
Distributions payable	–	3
Accounts payable and accrued expenses	7	6
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>10</b>	<b>23</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 47 637</b>	<b>\$ 35 484</b>
Investments at cost	\$ 44 222	\$ 33 765
<b>NAV</b>		
<b>SERIES D</b>	<b>\$ 4 702</b>	<b>\$ 4 048</b>
<b>SERIES O</b>	<b>\$ 42 935</b>	<b>\$ 31 436</b>
<b>NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 13.22</b>	<b>\$ 12.60</b>
<b>SERIES O</b>	<b>\$ 13.11</b>	<b>\$ 12.50</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 86	\$ 76
Interest for distribution purposes	1	1
Other income received from underlying funds	1 193	749
Capital gains received from underlying funds	1 080	373
Net realized gain (loss) on investments	165	227
Net gain (loss) on foreign currencies and other net assets	(3)	–
Change in unrealized gain (loss) on investments	1 765	990
<b>TOTAL INCOME (LOSS)</b>	<b>4 287</b>	<b>2 416</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	42	36
Administration fees	21	15
Independent Review Committee costs	3	2
GST/HST	6	5
Withholding tax	8	11
Expenses reimbursed by manager	(3)	(2)
<b>TOTAL EXPENSES</b>	<b>77</b>	<b>67</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 4 210</b>	<b>\$ 2 349</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES D</b>	<b>\$ 389</b>	<b>\$ 251</b>
<b>SERIES O</b>	<b>\$ 3 821</b>	<b>\$ 2 098</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 1.20</b>	<b>\$ 0.86</b>
<b>SERIES O</b>	<b>\$ 1.36</b>	<b>\$ 1.00</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 4 210	\$ 2 349
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(2 273)	(1 122)
Net realized loss (gain) on investments	(165)	(227)
Change in unrealized loss (gain) on investments	(1 765)	(990)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	1	2
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(56 780)	(47 601)
Proceeds from sale and maturity of investments	48 761	39 931
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(8 011)</b>	<b>(7 658)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	11 335	10 512
Cash paid on redemption of redeemable units	(3 336)	(2 841)
Distributions paid to holders of redeemable units	(3)	(1)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 7 996</b>	<b>\$ 7 670</b>
Net increase (decrease) in cash for the period	(15)	12
Cash (bank overdraft), beginning of period	46	34
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 31</b>	<b>\$ 46</b>
Interest received (paid)	\$ 1	\$ 1
Dividends received, net of withholding taxes	\$ 78	\$ 65

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	
	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 4 048</b>	<b>\$ 3 294</b>	<b>\$ 31 436</b>	<b>\$ 22 083</b>	<b>\$ 35 484</b>	<b>\$ 25 377</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>389</b>	<b>251</b>	<b>3 821</b>	<b>2 098</b>	<b>4 210</b>	<b>2 349</b>
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	<b>982</b>	925	<b>10 286</b>	9 595	<b>11 268</b>	10 520
Reinvestments of distributions to holders of redeemable units	<b>190</b>	121	<b>2 207</b>	1 289	<b>2 397</b>	1 410
Redemption of redeemable units	<b>(716)</b>	(420)	<b>(2 609)</b>	(2 341)	<b>(3 325)</b>	(2 761)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>456</b>	626	<b>9 884</b>	8 543	<b>10 340</b>	9 169
Distributions from net income	<b>(74)</b>	(50)	<b>(1 134)</b>	(722)	<b>(1 208)</b>	(772)
Distributions from net gains	<b>(117)</b>	(73)	<b>(1 072)</b>	(566)	<b>(1 189)</b>	(639)
Distributions from capital	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(191)</b>	(123)	<b>(2 206)</b>	(1 288)	<b>(2 397)</b>	(1 411)
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>654</b>	754	<b>11 499</b>	9 353	<b>12 153</b>	10 107
<b>NAV AT END OF PERIOD</b>	<b>\$ 4 702</b>	<b>\$ 4 048</b>	<b>\$ 42 935</b>	<b>\$ 31 436</b>	<b>\$ 47 637</b>	<b>\$ 35 484</b>

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



December 31, 2017

**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

**Credit risk (%)**

Credit-exposed securities, excluding short-term investments, comprise 40.0% (December 31, 2016 – 40.7%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	87.6	88.3
A	0.1	0.2
BBB	1.1	2.2
BB	5.2	2.9
B	4.2	4.5
CCC	1.7	1.7
Unrated	0.1	0.2
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 2017	December 31 2016
Bonds	39.5	40.7
Global Equities	33.7	33.2
Canadian Equities	14.2	14.2
United States Equities	10.3	10.6
Cash/Other	2.3	1.3
Total	100.0	100.0

**Interest rate risk (%)**

Fixed-income and debt securities, excluding short-term investments, comprise 40.0% (December 31, 2016 – 40.8%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2017	December 31 2016
Term to maturity		
Less than 1 year	0.3	–
1 – 5 years	6.3	6.9
5 – 10 years	4.9	5.1
> 10 years	88.5	88.0
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 10.7% (December 31, 2016 – 9.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Currency risk (% of NAV)**

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

Currency	December 31 2017	December 31 2016
United States dollar	23.5	22.7
Pound sterling	2.6	2.3
Euro	2.5	3.7
Hong Kong dollar	1.8	1.3
South African rand	1.7	1.4
Swiss franc	1.2	0.8
Japanese yen	1.2	1.0
Indian rupee	1.1	0.6
South Korean won	0.9	0.9
New Taiwan dollar	0.8	0.7
Danish krone	–	0.6
Other currencies	3.1	2.0
Total	40.4	38.0

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.0% (December 31, 2016 – 2.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.5	+ 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.

December 31, 2017

**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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>2 268</b>	–	–	<b>2 268</b>
<b>Mutual fund units</b>	<b>45 044</b>	–	–	<b>45 044</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	259	–	259
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>47 312</b>	<b>259</b>	–	<b>47 571</b>
<b>% of total portfolio</b>	<b>99.5</b>	<b>0.5</b>	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>1 762</b>	–	–	<b>1 762</b>
<b>Mutual fund units</b>	<b>33 411</b>	–	–	<b>33 411</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	176	–	176
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>35 173</b>	<b>176</b>	–	<b>35 349</b>
<b>% of total portfolio</b>	<b>99.5</b>	<b>0.5</b>	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	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 2017	December 31 2016
<b>Units held</b>		
Series D	66	63
Series O	58	55
<b>Value of all units</b>	<b>2</b>	<b>1</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	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	7.2	0.3	7.1	0.2
Phillips, Hager & North				
Canadian Money				
Market Fund	0.4	–	0.4	–
Phillips, Hager & North				
High Yield Bond Fund	5.0	0.1	5.0	–
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	35.0	18.5	35.7	17.9
RBC Emerging Markets				
Equity Fund	8.3	0.1	7.8	0.1
RBC Global Equity				
Focus Fund	19.4	0.3	19.0	0.3
RBC QUBE Global				
Equity Fund	6.4	1.0	6.4	0.6
RBC U.S. Mid-Cap Value				
Equity Fund	4.1	0.3	4.1	0.2
RBC U.S. Small-Cap Value				
Equity Fund	1.5	1.0	1.5	0.8

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

December 31, 2017

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate Investment Trust Fund	<b>4.8</b>	–	5.0	–

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

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

### **Redeemable units (000s)**

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

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

	<b>2017</b>	2016
<b>Series D</b>		
Opening units	<b>321</b>	271
Issued number of units	<b>76</b>	75
Reinvested number of units	<b>14</b>	10
Redeemed number of units	<b>(55)</b>	(35)
Ending number of units	<b>356</b>	321
<b>Series O</b>		
Opening units	<b>2 515</b>	1 833
Issued number of units	<b>792</b>	766
Reinvested number of units	<b>168</b>	103
Redeemed number of units	<b>(200)</b>	(187)
Ending number of units	<b>3 275</b>	2 515

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH LIFETIME 2045 FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
41 799	Vanguard Real Estate Investment Trust Fund	\$ 3 918	\$ 4 359	
<b>TOTAL UNITED STATES EQUITIES</b>		<b>3 918</b>	<b>4 359</b>	<b>4.6</b>
Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
644 571	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 7 231	\$ 7 820	
544 701	Phillips, Hager & North Canadian Equity Value Fund*	7 254	7 874	
39 582	Phillips, Hager & North Canadian Money Market Fund*	396	396	
410 311	Phillips, Hager & North High Yield Bond Fund*	4 693	4 690	
2 030 483	Phillips, Hager & North Long Inflation-linked Bond Fund*	23 584	23 495	
508 781	RBC Emerging Markets Equity Fund*	7 332	9 257	
1 342 628	RBC Global Equity Focus Fund*	16 922	21 815	
633 741	RBC QUBE Global Equity Fund*	7 900	7 257	
359 504	RBC U.S. Mid-Cap Value Equity Fund*	4 731	4 683	
124 122	RBC U.S. Small-Cap Value Equity Fund*	1 388	1 689	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>81 431</b>	<b>88 976</b>	<b>94.8</b>
<b>SHORT-TERM INVESTMENTS†</b>		<b>540</b>	<b>540</b>	<b>0.6</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 85 889</b>	<b>93 875</b>	<b>100.0</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			29	—
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>\$ 93 904</b>	<b>100.0</b>

\* Investment in related party (see note 8 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 0.95% and mature on January 2, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 93 875	\$ 70 883
Cash	63	100
Subscriptions receivable	76	45
<b>TOTAL ASSETS</b>	<b>94 014</b>	<b>71 028</b>
<b>LIABILITIES</b>		
Redemptions payable	98	60
Distributions payable	—	2
Accounts payable and accrued expenses	12	9
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>110</b>	<b>71</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 93 904</b>	<b>\$ 70 957</b>
Investments at cost	\$ 85 889	\$ 67 297
<b>NAV</b>		
<b>SERIES D</b>	<b>\$ 6 907</b>	<b>\$ 5 875</b>
<b>SERIES O</b>	<b>\$ 86 997</b>	<b>\$ 65 082</b>
<b>NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 14.16</b>	<b>\$ 13.16</b>
<b>SERIES O</b>	<b>\$ 14.05</b>	<b>\$ 13.07</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 172	\$ 151
Interest for distribution purposes	2	1
Other income received from underlying funds	2 199	1 481
Capital gains received from underlying funds	2 532	909
Net realized gain (loss) on investments	379	370
Net gain (loss) on foreign currencies and other net assets	(6)	(3)
Change in unrealized gain (loss) on investments	4 400	2 221
<b>TOTAL INCOME (LOSS)</b>	<b>9 678</b>	<b>5 130</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	68	53
Administration fees	41	31
Independent Review Committee costs	3	2
GST/HST	11	9
Withholding tax	16	23
Expenses reimbursed by manager	—	(2)
<b>TOTAL EXPENSES</b>	<b>139</b>	<b>116</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 9 539</b>	<b>\$ 5 014</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES D</b>	<b>\$ 692</b>	<b>\$ 374</b>
<b>SERIES O</b>	<b>\$ 8 847</b>	<b>\$ 4 640</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 1.46</b>	<b>\$ 0.95</b>
<b>SERIES O</b>	<b>\$ 1.61</b>	<b>\$ 1.10</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 9 539	\$ 5 014
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(4 731)	(2 390)
Net realized loss (gain) on investments	(379)	(370)
Change in unrealized loss (gain) on investments	(4 400)	(2 221)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	3	1
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(95 103)	(80 254)
Proceeds from sale and maturity of investments	81 621	64 031
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(13 450)</b>	<b>(16 189)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	22 397	22 264
Cash paid on redemption of redeemable units	(8 984)	(6 043)
Distributions paid to holders of redeemable units	—	1
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 13 413</b>	<b>\$ 16 222</b>
Net increase (decrease) in cash for the period	(37)	33
Cash (bank overdraft), beginning of period	100	67
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 63</b>	<b>\$ 100</b>
Interest received (paid)	\$ 2	\$ 1
Dividends received, net of withholding taxes	\$ 156	\$ 128

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	
	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 5 875</b>	<b>\$ 4 379</b>	<b>\$ 65 082</b>	<b>\$ 45 335</b>	<b>\$ 70 957</b>	<b>\$ 49 714</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>692</b>	<b>374</b>	<b>8 847</b>	<b>4 640</b>	<b>9 539</b>	<b>5 014</b>
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	2 121	2 209	20 307	20 028	22 428	22 237
Reinvestments of distributions to holders of redeemable units	211	141	3 652	2 329	3 863	2 470
Redemption of redeemable units	(1 781)	(1 087)	(7 241)	(4 920)	(9 022)	(6 007)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>551</b>	<b>1 263</b>	<b>16 718</b>	<b>17 437</b>	<b>17 269</b>	<b>18 700</b>
Distributions from net income	(90)	(63)	(2 143)	(1 465)	(2 233)	(1 528)
Distributions from net gains	(121)	(78)	(1 507)	(865)	(1 628)	(943)
Distributions from capital	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(211)</b>	<b>(141)</b>	<b>(3 650)</b>	<b>(2 330)</b>	<b>(3 861)</b>	<b>(2 471)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>1 032</b>	<b>1 496</b>	<b>21 915</b>	<b>19 747</b>	<b>22 947</b>	<b>21 243</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 6 907</b>	<b>\$ 5 875</b>	<b>\$ 86 997</b>	<b>\$ 65 082</b>	<b>\$ 93 904</b>	<b>\$ 70 957</b>

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

December 31, 2017

**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

**Credit risk (%)**

Credit-exposed securities, excluding short-term investments, comprise 30.0% (December 31, 2016 – 27.4%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	83.5	82.7
A	0.1	0.3
BBB	1.5	3.2
BB	6.9	4.3
B	5.6	6.7
CCC	2.3	2.5
Unrated	0.1	0.3
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 2017	December 31 2016
Global Equities	40.3	41.7
Bonds	29.6	27.4
Canadian Equities	16.4	17.4
United States Equities	11.4	12.5
Cash/Other	2.3	1.0
Total	100.0	100.0

**Interest rate risk (%)**

Fixed-income and debt securities, excluding short-term investments, comprise 30.0% (December 31, 2016 – 27.5%) of the NAV of the Fund. The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	December 31 2017	December 31 2016
Term to maturity		
Less than 1 year	0.4	–
1 – 5 years	8.3	10.3
5 – 10 years	6.5	7.5
> 10 years	84.8	82.2
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 7.7% (December 31, 2016 – 6.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Currency risk (% of NAV)**

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

Currency	December 31 2017	December 31 2016
United States dollar	32.1	32.7
Pound sterling	3.1	2.9
Euro	3.0	4.6
Hong Kong dollar	2.1	1.6
South African rand	2.0	1.7
Swiss franc	1.5	1.0
Japanese yen	1.5	1.3
Indian rupee	1.3	0.8
South Korean won	1.0	1.1
New Taiwan dollar	0.9	0.8
Danish krone	–	0.8
Other currencies	3.7	2.4
Total	52.2	51.7

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.6% (December 31, 2016 – 2.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

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

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
Total Return Index	+ 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.



December 31, 2017

**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, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>4 359</b>	–	–	<b>4 359</b>
<b>Mutual fund units</b>	<b>88 976</b>	–	–	<b>88 976</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	540	–	540
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>93 335</b>	<b>540</b>	–	<b>93 875</b>
<b>% of total portfolio</b>	<b>99.4</b>	<b>0.6</b>	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>3 538</b>	–	–	<b>3 538</b>
<b>Mutual fund units</b>	<b>67 001</b>	–	–	<b>67 001</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	344	–	344
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>70 539</b>	<b>344</b>	–	<b>70 883</b>
<b>% of total portfolio</b>	<b>99.5</b>	<b>0.5</b>	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

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

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

	Management fees	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 2017	December 31 2016
<b>Units held</b>		
Series D	65	63
Series O	56	54
<b>Value of all units</b>	<b>2</b>	<b>2</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	8.3	0.3	8.7	0.2
Phillips, Hager & North				
Canadian Equity				
Value Fund	8.4	0.7	8.7	0.5
Phillips, Hager & North				
Canadian Money				
Market Fund	0.4	–	0.4	–
Phillips, Hager & North				
High Yield Bond Fund	5.0	0.1	5.0	0.1
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	25.1	26.2	22.4	22.5
RBC Emerging Markets				
Equity Fund	9.9	0.2	9.7	0.3
RBC Global Equity				
Focus Fund	23.2	0.7	23.9	0.8
RBC QUBE Global				
Equity Fund	7.7	2.5	8.1	1.6
RBC U.S. Mid-Cap Value				
Equity Fund	5.0	0.7	5.5	0.7
RBC U.S. Small-Cap Value				
Equity Fund	1.8	2.3	2.0	2.0

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

December 31, 2017

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate Investment Trust Fund	4.6	—	5.0	—

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

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

### **Redeemable units (000s)**

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

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

	2017	2016
<b>Series D</b>		
Opening units	446	348
Issued number of units	156	173
Reinvested number of units	15	11
Redeemed number of units	(129)	(86)
Ending number of units	488	446
<b>Series O</b>		
Opening units	4 981	3 625
Issued number of units	1 479	1 561
Reinvested number of units	259	178
Redeemed number of units	(527)	(383)
Ending number of units	6 192	4 981

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

## SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**PHILLIPS, HAGER & NORTH LIFETIME 2050 FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>UNITED STATES EQUITIES</b>				
12 794	Vanguard Real Estate Investment Trust Fund	\$ 1 367	\$ 1 334	
<b>TOTAL UNITED STATES EQUITIES</b>		<b>1 367</b>	<b>1 334</b>	<b>5.1</b>
Number of Units	Security	Cost	Fair Value	% of Net Assets
<b>MUTUAL FUND UNITS</b>				
208 584	Phillips, Hager & North Canadian Equity Underlying Fund*	\$ 2 415	\$ 2 530	
174 910	Phillips, Hager & North Canadian Equity Value Fund*	2 417	2 529	
12 047	Phillips, Hager & North Canadian Money Market Fund*	120	120	
113 259	Phillips, Hager & North High Yield Bond Fund*	1 295	1 295	
362 086	Phillips, Hager & North Long Inflation-linked Bond Fund*	4 232	4 189	
159 704	RBC Emerging Markets Equity Fund*	2 483	2 906	
426 269	RBC Global Equity Focus Fund*	6 041	6 926	
202 069	RBC QUBE Global Equity Fund*	2 538	2 314	
113 513	RBC U.S. Mid-Cap Value Equity Fund*	1 537	1 479	
37 625	RBC U.S. Small-Cap Value Equity Fund*	458	512	
<b>TOTAL MUTUAL FUND UNITS</b>		<b>23 536</b>	<b>24 800</b>	<b>94.4</b>
<b>SHORT-TERM INVESTMENTS†</b>		<b>133</b>	<b>133</b>	<b>0.5</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 25 036</b>	<b>26 267</b>	<b>100.0</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			14	—
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>\$ 26 281</b>	<b>100.0</b>

\* Investment in related party (see note 8 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 0.95% and mature on January 2, 2018.

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

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

<b>(see note 2 in the generic notes)</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>ASSETS</b>		
Investments at fair value	\$ 26 267	\$ 11 855
Cash	21	77
Due from investment dealers	50	–
Subscriptions receivable	100	49
<b>TOTAL ASSETS</b>	<b>26 438</b>	<b>11 981</b>
<b>LIABILITIES</b>		
Due to investment dealers	148	45
Redemptions payable	7	5
Distributions payable	–	2
Accounts payable and accrued expenses	2	1
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>157</b>	<b>53</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 26 281</b>	<b>\$ 11 928</b>
Investments at cost	\$ 25 036	\$ 11 627
<b>NAV</b>		
<b>SERIES D</b>	<b>\$ 1 140</b>	<b>\$ 610</b>
<b>SERIES O</b>	<b>\$ 25 141</b>	<b>\$ 11 318</b>
<b>NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 11.62</b>	<b>\$ 10.81</b>
<b>SERIES O</b>	<b>\$ 11.50</b>	<b>\$ 10.71</b>

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

<b>For the periods ended December 31 (see note 2 in the generic notes)</b>	<b>2017</b>	<b>2016</b>
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 42	\$ 20
Other income received from underlying funds	559	237
Capital gains received from underlying funds	790	162
Net realized gain (loss) on investments	42	9
Net gain (loss) on foreign currencies and other net assets	(1)	(1)
Change in unrealized gain (loss) on investments	1 003	309
<b>TOTAL INCOME (LOSS)</b>	<b>2 435</b>	<b>736</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	9	6
Administration fees	8	2
Independent Review Committee costs	3	2
GST/HST	2	1
Withholding tax	5	3
Expenses reimbursed by manager	(3)	(2)
<b>TOTAL EXPENSES</b>	<b>24</b>	<b>12</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 2 411</b>	<b>\$ 724</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES D</b>	<b>\$ 98</b>	<b>\$ 42</b>
<b>SERIES O</b>	<b>\$ 2 313</b>	<b>\$ 682</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES D</b>	<b>\$ 1.38</b>	<b>\$ 0.86</b>
<b>SERIES O</b>	<b>\$ 1.51</b>	<b>\$ 1.08</b>

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)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 2 411	\$ 724
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(1 349)	(399)
Net realized loss (gain) on investments	(42)	(9)
Change in unrealized loss (gain) on investments	(1 003)	(309)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	1	1
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(25 427)	(9 412)
Proceeds from sale and maturity of investments	13 462	1 885
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(11 947)</b>	<b>(7 519)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	13 962	8 846
Cash paid on redemption of redeemable units	(2 070)	(1 253)
Distributions paid to holders of redeemable units	(1)	(1)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 11 891</b>	<b>\$ 7 592</b>
Net increase (decrease) in cash for the period	(56)	73
Cash (bank overdraft), beginning of period	77	4
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 21</b>	<b>\$ 77</b>
Interest received (paid)	\$ —	\$ —
Dividends received, net of withholding taxes	\$ 37	\$ 17

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	
	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	<b>\$ 610</b>	<b>\$ 417</b>	<b>\$ 11 318</b>	<b>\$ 3 140</b>	<b>\$ 11 928</b>	<b>\$ 3 557</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>98</b>	<b>42</b>	<b>2 313</b>	<b>682</b>	<b>2 411</b>	<b>724</b>
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	556	353	13 475	8 470	14 031	8 823
Reinvestments of distributions to holders of redeemable units	49	15	1 375	424	1 424	439
Redemption of redeemable units	(124)	(201)	(1 966)	(976)	(2 090)	(1 177)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>481</b>	<b>167</b>	<b>12 884</b>	<b>7 918</b>	<b>13 365</b>	<b>8 085</b>
Distributions from net income	(12)	(6)	(568)	(244)	(580)	(250)
Distributions from net gains	(37)	(10)	(806)	(178)	(843)	(188)
Distributions from capital	—	—	—	—	—	—
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(49)</b>	<b>(16)</b>	<b>(1 374)</b>	<b>(422)</b>	<b>(1 423)</b>	<b>(438)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>530</b>	<b>193</b>	<b>13 823</b>	<b>8 178</b>	<b>14 353</b>	<b>8 371</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 1 140</b>	<b>\$ 610</b>	<b>\$ 25 141</b>	<b>\$ 11 318</b>	<b>\$ 26 281</b>	<b>\$ 11 928</b>

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

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**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 5 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. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying funds.

**Credit risk (%)**

Credit-exposed securities, excluding short-term investments, comprise 20.9% (December 31, 2016 – 21.5%) of the NAV of the Fund. The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2017	December 31 2016
AAA	76.8	77.9
A	0.1	0.3
BBB	2.1	4.1
BB	9.7	5.5
B	7.9	8.6
CCC	3.3	3.2
Unrated	0.1	0.4
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 2017	December 31 2016
Global Equities	45.7	46.2
Bonds	20.4	21.5
Canadian Equities	18.9	18.8
United States Equities	12.6	12.5
Cash/Other	2.4	1.0
Total	100.0	100.0

**Interest rate risk (%)**

Fixed-income and debt securities, excluding short-term investments, comprise 20.9% (December 31, 2016 – 21.5%) of the NAV 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 2017	December 31 2016
Less than 1 year	0.6	–
1 – 5 years	11.8	13.2
5 – 10 years	9.2	9.7
> 10 years	78.4	77.1
Total	100.0	100.0

As at December 31, 2017, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 5.0% (December 31, 2016 – 4.4%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Currency risk (% of NAV)**

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

Currency	December 31 2017	December 31 2016
United States dollar	35.6	34.6
Pound sterling	3.5	3.2
Euro	3.4	5.0
Hong Kong dollar	2.4	1.8
South African rand	2.3	1.9
Swiss franc	1.7	1.1
Japanese yen	1.7	1.4
Indian rupee	1.5	0.9
South Korean won	1.2	1.2
New Taiwan dollar	1.0	0.9
Australian dollar	0.5	–
Danish krone	–	0.9
Other currencies	3.5	2.8
Total	58.3	55.7

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 2.9% (December 31, 2016 – 3.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's NAV, using a 36-month (December 31, 2016 – 28-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2017	December 31 2016
S&P/TSX Capped Composite		
Total Return Index	+ or - 0.6	+ or - 0.5

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

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

The following is a summary of the inputs used as of December 31, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>1 334</b>	–	–	<b>1 334</b>
<b>Mutual fund units</b>	<b>24 800</b>	–	–	<b>24 800</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	133	–	133
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>26 134</b>	<b>133</b>	–	<b>26 267</b>
<b>% of total portfolio</b>	<b>99.5</b>	<b>0.5</b>	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities</b>	<b>544</b>	–	–	<b>544</b>
<b>Mutual fund units</b>	<b>11 311</b>	–	–	<b>11 311</b>
<b>Fixed-income</b>				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>11 855</b>	–	–	<b>11 855</b>
<b>% of total portfolio</b>	<b>100.0</b>	–	–	<b>100.0</b>

For the periods ended December 31, 2017 and 2016, 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 8 in the generic notes)**

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

	Management fees	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 2017	December 31 2016
<b>Units held</b>		
Series D	118	113
Series O	106	17 500
<b>Value of all units</b>	<b>3</b>	<b>189</b>

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

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Phillips, Hager & North				
Canadian Equity				
Underlying Fund	9.6	0.1	9.4	–
Phillips, Hager & North				
Canadian Equity				
Value Fund	9.6	0.2	9.5	0.1
Phillips, Hager & North				
Canadian Money				
Market Fund	0.5	–	0.4	–
Phillips, Hager & North				
High Yield Bond Fund	4.9	–	5.0	–
Phillips, Hager & North				
Long Inflation-linked				
Bond Fund	15.9	4.7	16.5	2.8
RBC Emerging Markets				
Equity Fund	11.1	0.1	11.0	0.1
RBC Global Equity				
Focus Fund	26.5	0.2	26.3	0.1



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	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
RBC QUBE Global Equity Fund	<b>8.8</b>	<b>0.8</b>	8.8	0.3
RBC U.S. Mid-Cap Value Equity Fund	<b>5.6</b>	<b>0.2</b>	5.7	0.1
RBC U.S. Small-Cap Value Equity Fund	<b>1.9</b>	<b>0.7</b>	2.2	0.4

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

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
Vanguard Real Estate Investment Trust Fund	<b>5.1</b>	—	4.6	—

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

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

**Redeemable units (000s)**

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

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

	2017	2016
<b>Series D</b>		
Opening units	<b>56</b>	40
Issued number of units	<b>49</b>	35
Reinvested number of units	<b>4</b>	1
Redeemed number of units	<b>(11)</b>	(20)
Ending number of units	<b>98</b>	56

<b>Series O</b>		
Opening units	<b>1 057</b>	306
Issued number of units	<b>1 180</b>	803
Reinvested number of units	<b>120</b>	40
Redeemed number of units	<b>(172)</b>	(92)
Ending number of units	<b>2 185</b>	1 057

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

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## 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, 2018.

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

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

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

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

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

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

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

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

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

## 2. Financial year/period

The information provided in these financial statements and notes thereto is for the 12-month periods ended or as at December 31, 2017 and 2016, as applicable. 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”). 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. Realized gains arising on derivatives during a period are included in the Statements of Comprehensive Income in “Net gain (loss) from futures contracts,” “Other derivatives” and “Net gain (loss) on foreign currencies and other net assets,” where applicable.

**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.

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

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

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

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

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

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

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

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

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

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

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

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

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

*Equities* – Common shares, 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.

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**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.

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

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

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

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

**Futures Contracts** – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “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 NAV 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, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. Management also has procedures in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

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

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

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

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

**Foreign Exchange** The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the Phillips, Hager & North \$U.S. Money Market Fund, RBC \$U.S. Money Market Fund, RBC Premium \$U.S. Money Market Fund, RBC \$U.S. 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 NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund

common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

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

**Income Recognition** Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “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.

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

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



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

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

#### 4. Critical accounting judgments and estimates

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

##### ***Classification and measurement of financial instruments and application of fair value option***

In classifying and measuring financial instruments held by the Funds, the manager is required to make significant judgments about whether or not the business of the Funds is to invest on a total return basis for the purpose of applying the fair value option for financial assets.

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

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

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

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

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

A Fund's investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio managers, daily monitoring of the Fund's holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

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

##### ***Liquidity risk***

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

##### ***Credit risk***

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the

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contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

#### **Concentration risk**

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

#### **Interest rate risk**

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

#### **Currency risk**

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

#### **Other price risk**

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

### **6. Taxes**

The Funds qualify as open-ended mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do

not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

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

### **7. Securities lending revenue**

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

### **8. Administrative and other related-party transactions**

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

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

The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not

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limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, prospectuses, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds, and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, "other fund costs"), and taxes (including, but not limited to, GST/HST). Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates ("underlying mutual funds"). A Fund will not invest in units of an underlying mutual fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying mutual fund for the same service. The Fund's ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

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

#### **Sub-Advisors**

RBC Global Asset Management (U.S.) Inc. is the sub-advisor for the RBC \$U.S. Investment Grade Corporate Bond Fund, RBC U.S. Mid-Cap Growth Equity Fund, RBC U.S. Mid-Cap Growth Equity Currency Neutral Fund, RBC U.S. Mid-Cap Value Equity Fund, RBC U.S. Small-Cap Core Equity Fund, RBC U.S. Small-Cap Value Equity Fund and Phillips,

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

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



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### **Trustee**

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

### **Distributors**

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

### **Custodian**

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

### **Registrars**

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. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

### **Brokers and Dealers**

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

### **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.

## **9. Revision of comparative information**

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

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

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

RBC Monthly Income Bond Fund, RBC Emerging Markets Bond Fund (CAD Hedged), BlueBay \$U.S. Global Convertible Bond Fund (Canada), RBC Managed Payout Solution, RBC Managed Payout Solution – Enhanced, RBC Managed Payout Solution – Enhanced Plus, RBC Conservative Growth & Income Fund, RBC Balanced Growth & Income Fund, RBC Global Growth & Income 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

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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 International Equity Currency Neutral Fund, RBC International Index Currency Neutral Fund, RBC Asian Equity Fund, RBC Emerging Markets Multi-Strategy Equity Fund, RBC Private U.S. Large-Cap Value Equity Currency Neutral Pool, RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool, Phillips, Hager & North Balanced Fund, Phillips, Hager & North Currency-Hedged U.S. Equity Fund, Phillips, Hager & North Currency-Hedged Overseas Equity Fund, Phillips, Hager & North LifeTime 2015 Fund, Phillips, Hager & North LifeTime 2020 Fund, Phillips, Hager & North LifeTime 2025 Fund, Phillips, Hager & North LifeTime 2030 Fund, Phillips, Hager & North LifeTime 2035 Fund, Phillips, Hager & North LifeTime 2040 Fund, Phillips, Hager & North LifeTime 2045 Fund and Phillips, Hager & North LifeTime 2050 Fund.

Amounts reclassified to “(Increase) decrease in margin accounts” have been presented separately from amounts related to “Cash (bank overdraft), beginning of period,” to appropriately separate changes in margin accounts. Comparative figures on the Statements of Cash Flow have been revised for the following funds:

BlueBay \$U.S. Global Convertible Bond Fund (Canada) and RBC International Index Currency Neutral Fund.

## 10. Future accounting changes

The following IFRS standard has been issued, but is not yet in effect:

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classifications and measurement models in IAS 39 and is effective for reporting periods beginning on or after January 1, 2018. Classification and measurement of debt assets will be driven by an entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

On adoption of IFRS 9, the Funds’ investment portfolios will continue to be classified at fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortized cost with no material impact expected from application of the new impairment model introduced in IFRS 9. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Funds’ financial statements.

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