



INTERNATIONAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
OVERSEAS EQUITY CLASS**

March 31, 2018

Portfolio Manager RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Corporate Class Inc. approved this annual management report of fund performance on June 13, 2018.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-463-FUND (3863), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at www.rbcgam.com/reports or SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.



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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide long-term capital growth by investing in a diversified portfolio of common stocks in companies in the world's largest industrialized countries outside North America, including countries in Europe and the Far East, including Japan and Australia.

To achieve its investment objective, the Fund will invest most of its assets in the Phillips, Hager & North Overseas Equity Fund (the "underlying fund"). The underlying fund invests in companies that are attractively valued, possess sound fundamentals and have a strong market position.

Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

Effective October 25, 2017, RBC GAM adopted the risk classification methodology under National Instrument 81-102 – *Investment Funds* (the "new risk classification methodology") in respect of the RBC Corporate Class Funds. Pursuant to the new risk classification methodology, certain RBC Corporate Class Funds' risk ratings were changed. RBC GAM reviews each fund's risk rating on an annual basis or if there has been a material change to a fund's investment objectives or investment strategies. Any changes to a fund's risk rating are the result of RBC GAM's annual review and the adoption of the new risk classification methodology.

There were no changes to the Fund's risk rating during the reporting period.

Results of Operations

The Fund's net asset value rose to \$64 million as of March 31, 2018, from \$52 million as of March 31, 2017. The increase was due mainly to investment returns.

Over the past year, the Fund's Series A shares gained 19.9%, which outperformed the 11.0% rise in the benchmark. The Fund's return is after the deduction of fees and expenses, while the benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

Equity markets posted gains in 2017 as most global economies expanded simultaneously, particularly in the second half of the year, before volatility emerged in the first quarter of 2018. All major global economies performed strongly in 2017, and inflation firmed. The Trump administration won passage of its first pieces of meaningful legislation

late in 2017, when the president signed a tax-reform bill into law. The calm and steady rise in financial markets came to an abrupt end in the last days of January 2018 in a sell-off that could be traced in part to concerns about whether market valuations had gotten too high. These concerns, combined with rising bond yields, particularly in the U.S., led some investors to reappraise their equity holdings. The newfound atmosphere of caution was given additional impetus at the end of the period, with the U.S. and China threatening to raise tariffs on each other's goods.

Stock selection drove performance during the period, with holdings in the Industrials and Financials sectors contributing the most to the Fund's returns. At the stock level, relative returns were led by the Japanese manufacturer of precision motors, Nidec, which benefited from strong operations, and the South African media company, Naspers, which benefited when shares held in the Chinese internet company Tencent rose.

Recent Developments

The escalating tariff contest between the U.S. and China has rekindled concerns about the sustainability of global economic growth. While the value of goods affected by the tariffs is fairly small so far, any escalation into a trade war would be likely to stymie the coordinated global recovery and tip some economies into recession. This would certainly be true for countries that rely more on goods as opposed to services and countries late in the economic cycle, such as the U.S.

The new-found unease among investors has led to increased volatility in financial markets, which should be good for those specializing in selecting individual stocks. The Fund has in place a process that the portfolio manager believes will identify stocks that are likely to offer attractive returns relative to the market as a whole.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager and portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of mutual fund shares of the Fund.



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RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when shareholders switch between series of funds denominated in different currencies. The Fund also maintains 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 Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and Phillips, Hager & North Investment Funds Ltd. are the principal distributors of, or distribute certain series of the mutual fund shares of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series and Series D mutual fund shares.

Custodian

RBC Investor Services Trust ("RBC IS") is the custodian and holds the assets of the Fund. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Registrars

Royal Bank, RBC IS and RBC GAM are the registrars of the Fund and keep records of who owns the mutual fund shares of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund 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 Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.



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FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements. For financial years beginning on or after April 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to April 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to April 1, 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC Corporate Class Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Mutual Fund Share (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
Mar. 31, 2018	16.97	0.41	(0.39)	0.29	3.26	3.57	–	–	–	–	–	20.34
Mar. 31, 2017	16.02	0.46	(0.34)	0.45	0.35	0.92	–	–	–	–	–	16.97
Mar. 31, 2016	16.57	0.38	(0.36)	0.26	(0.92)	(0.64)	–	–	–	–	–	16.02
Mar. 31, 2015	14.46	0.59	(0.32)	0.32	1.69	2.28	–	–	–	–	–	16.57
Mar. 31, 2014	11.47	0.41	(0.29)	0.14	2.73	2.99	–	–	–	–	–	14.46
Advisor Series												
Mar. 31, 2018	17.03	0.41	(0.39)	0.29	2.97	3.28	–	–	–	–	–	20.42
Mar. 31, 2017	16.07	0.46	(0.33)	0.45	0.33	0.91	–	–	–	–	–	17.03
Mar. 31, 2016	16.61	0.38	(0.35)	0.25	(0.91)	(0.63)	–	–	–	–	–	16.07
Mar. 31, 2015	14.48	0.58	(0.31)	0.32	1.68	2.27	–	–	–	–	–	16.61
Mar. 31, 2014	11.47	0.42	(0.26)	0.14	2.84	3.14	–	–	–	–	–	14.48
Series D												
Mar. 31, 2018	17.78	0.43	(0.23)	0.30	3.19	3.69	–	–	–	–	–	21.50
Mar. 31, 2017	16.63	0.48	(0.20)	0.47	0.38	1.13	–	–	–	–	–	17.78
Mar. 31, 2016	17.05	0.39	(0.22)	0.26	(0.95)	(0.52)	–	–	–	–	–	16.63
Mar. 31, 2015	14.74	0.61	(0.19)	0.33	1.75	2.50	–	–	–	–	–	17.05
Mar. 31, 2014	11.58	0.42	(0.16)	0.14	2.82	3.22	–	–	–	–	–	14.74
Series F												
Mar. 31, 2018	18.00	0.43	(0.19)	0.30	2.97	3.51	–	–	–	–	–	21.82
Mar. 31, 2017	16.80	0.49	(0.16)	0.47	0.77	1.57	–	–	–	–	–	18.00
Mar. 31, 2016	17.18	0.39	(0.18)	0.26	(0.95)	(0.48)	–	–	–	–	–	16.80
Mar. 31, 2015	14.83	0.62	(0.16)	0.34	1.77	2.57	–	–	–	–	–	17.18
Mar. 31, 2014	11.63	0.43	(0.13)	0.15	2.86	3.31	–	–	–	–	–	14.83
Series O												
Mar. 31, 2018	18.95	0.46	(0.01)	0.32	3.56	4.33	–	–	–	–	–	23.16
Mar. 31, 2017	17.52	0.51	(0.01)	0.50	0.62	1.62	–	–	–	–	–	18.95
Mar. 31, 2016	17.74	0.40	(0.01)	0.27	(0.98)	(0.32)	–	–	–	–	–	17.52
Mar. 31, 2015	15.16	0.63	(0.01)	0.35	1.81	2.78	–	–	–	–	–	17.74
Mar. 31, 2014	11.77	0.43	(0.01)	0.15	2.88	3.45	–	–	–	–	–	15.16

¹ Net assets and distributions are based on the actual number of mutual fund shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of mutual fund shares outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per mutual fund share.

² Distributions are reinvested in additional mutual fund shares of the Fund or paid in cash.



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FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Mutual Fund Share (\$)	Net Asset Value (\$000s)	Number of Mutual Fund Shares Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
Mar. 31, 2018	20.34	9 056	445	2.11	2.11	6.39	0.21
Mar. 31, 2017	16.97	10 403	613	2.16 ⁴	2.17	12.03	0.19
Mar. 31, 2016	16.02	14 534	907	2.25	2.26	8.36	0.17
Mar. 31, 2015	16.57	15 036	908	2.25	2.26	12.97	0.42
Mar. 31, 2014	14.46	8 054	557	2.27	2.28	7.87	0.39
Advisor Series							
Mar. 31, 2018	20.42	863	42	2.09	2.09	6.39	0.21
Mar. 31, 2017	17.03	542	32	2.14 ⁴	2.15	12.03	0.19
Mar. 31, 2016	16.07	956	60	2.19	2.20	8.36	0.17
Mar. 31, 2015	16.61	653	39	2.17	2.18	12.97	0.42
Mar. 31, 2014	14.48	298	21	2.14	2.15	7.87	0.39
Series D							
Mar. 31, 2018	21.50	27 241	1 267	1.21	1.21	6.39	0.21
Mar. 31, 2017	17.78	22 122	1 244	1.25 ⁴	1.26	12.03	0.19
Mar. 31, 2016	16.63	21 849	1 314	1.34	1.35	8.36	0.17
Mar. 31, 2015	17.05	19 072	1 119	1.34	1.35	12.97	0.42
Mar. 31, 2014	14.74	14 655	994	1.34	1.35	7.87	0.39
Series F							
Mar. 31, 2018	21.82	12 390	568	0.99	0.99	6.39	0.21
Mar. 31, 2017	18.00	5 554	309	1.02 ⁴	1.03	12.03	0.19
Mar. 31, 2016	16.80	1 895	113	1.14	1.15	8.36	0.17
Mar. 31, 2015	17.18	1 293	75	1.14	1.15	12.97	0.42
Mar. 31, 2014	14.83	1 450	98	1.11	1.12	7.87	0.39
Series O							
Mar. 31, 2018	23.16	14 303	617	0.11	0.11	6.39	0.21
Mar. 31, 2017	18.95	13 519	713	0.12	0.13	12.03	0.19
Mar. 31, 2016	17.52	11 373	649	0.12	0.13	8.36	0.17
Mar. 31, 2015	17.74	5 117	288	0.13	0.14	12.97	0.42
Mar. 31, 2014	15.16	4 473	295	0.12	0.13	7.87	0.39

¹ The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to shareholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

² The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

³ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

⁴ Effective June 30, 2016, the management fees were changed in respect of Series A, Advisor Series, Series D and Series F mutual fund shares of the Fund. If the changes to the management fees would have been in effect throughout the financial year, the adjusted MER for each series of the Fund would be: Series A – 2.14%, Advisor Series – 2.11%, Series D – 1.24% and Series F – 1.02%.



FINANCIAL HIGHLIGHTS (cont.)

Management Fees

RBC GAM is the manager and portfolio manager of the Fund. Management fees of each series of the Fund are calculated at the annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.75%	54%	46%
Advisor Series	1.75%	54%	46%
Series D	1.00%	23%	77%
Series F	0.75%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O mutual fund shares. Series O shareholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

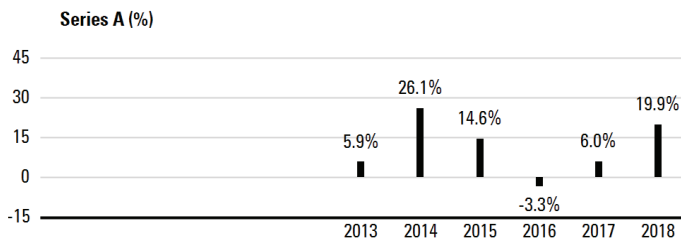
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

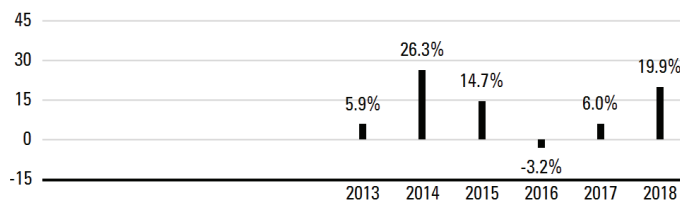
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional shares of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

Year-by-Year Returns (%)

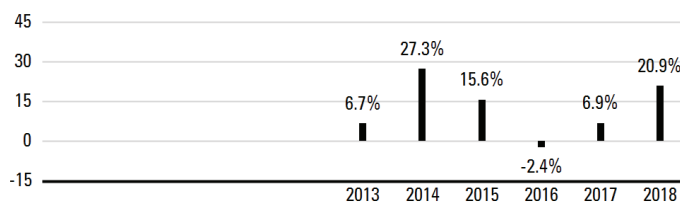
The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



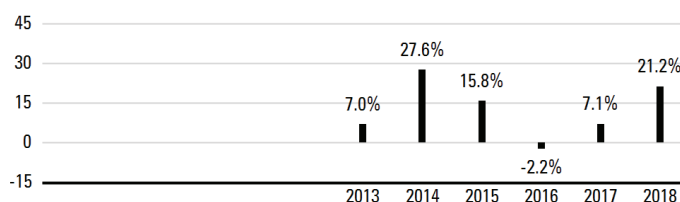
Advisor Series (%)



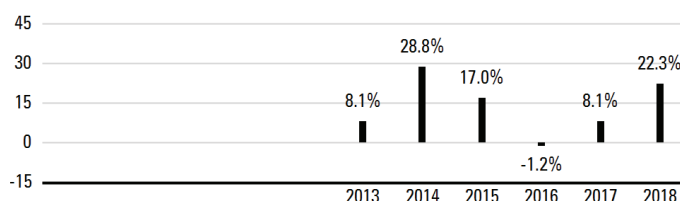
Series D (%)



Series F (%)



Series O (%)





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PAST PERFORMANCE (cont.)

Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on March 31, 2018, compared with the following benchmark:

MSCI EAFE Total Return Net Index (CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series A	19.9	7.1	12.2	–	12.0
Benchmark	11.0	6.2	11.7	–	12.9
Advisor Series	19.9	7.1	12.2	–	12.1
Benchmark	11.0	6.2	11.7	–	12.9
Series D	20.9	8.0	13.2	–	13.0
Benchmark	11.0	6.2	11.7	–	12.9
Series F	21.2	8.3	13.4	–	13.3
Benchmark	11.0	6.2	11.7	–	12.9
Series O	22.3	9.3	14.5	–	14.4
Benchmark	11.0	6.2	11.7	–	12.9

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

Series A, Advisor Series, Series D, Series F and Series O mutual fund shares have been available for sale to shareholders since January 1, 2012.

Inception dates are not provided for series that have been in existence for more than 10 years.

All outstanding Series H mutual fund shares were re-designated as Series A mutual fund shares and all outstanding Series I mutual fund shares were re-designated as Series F mutual fund shares effective June 30, 2016.

INDEX DESCRIPTION

MSCI EAFE Total Return Net Index (CAD) This index is a broad measure of the Canadian dollar performance of stocks from developed equity markets covering countries in Europe, Australasia and the Far East. The net total return index reinvests dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at March 31, 2018

Investment Mix – Sectors

	% of Net Asset Value
Financials	23.0
Industrials	17.3
Health Care	13.6
Materials	13.5
Consumer Staples	9.8
Consumer Discretionary	9.0
Information Technology	5.3
Energy	4.6
Utilities	1.4
Telecommunication Services	1.2
Cash/Other	1.3

Investment Mix – Countries/Regions

	% of Net Asset Value
Europe ex. United Kingdom Equities	36.3
United Kingdom Equities	21.6
Japan Equities	20.4
Pacific ex. Japan Equities	13.0
India Equities	4.6
Middle East & Africa Equities	2.8
Cash/Other	1.3



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SUMMARY OF INVESTMENT PORTFOLIO (cont.)

(after consideration of derivative products, if any)

As at March 31, 2018

Top 25 Holdings*

	% of Net Asset Value
Unilever Plc.	5.0
Anheuser-Busch InBev S.A./N.V.	4.9
Roche Holdings AG Genussscheine	4.9
Deutsche Post AG	4.9
Nidec Corp.	4.4
AIA Group Ltd.	4.4
Astellas Pharma Inc.	4.3
InterContinental Hotels Group Plc.	4.0
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	3.6
St. James's Place Plc.	3.5
ING Groep N.V.	3.2
Rio Tinto Plc.	3.2
Komatsu Ltd.	3.0
Naspers Ltd.	2.8
Partners Group Holding AG	2.7
Croda International Plc.	2.7
Shin-Etsu Chemical Co. Ltd.	2.6
UBS Group AG	2.5
HDFC Bank Ltd.	2.4
Oil Search Ltd.	2.4
Linde AG	2.3
Novo Nordisk A/S	2.3
Systemx Corp.	2.2
Paddy Power Betfair Plc.	2.2
Royal Dutch Shell Plc., B Shares	2.2
Top 25 Holdings	82.6

* The Fund invests substantially all of its assets directly in the Phillips, Hager & North Overseas Equity Fund. The above are the Top 25 holdings of the Phillips, Hager & North Overseas Equity Fund.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at www.rbcgam.com/funds.

The Simplified Prospectus and other information about the underlying fund are available on SEDAR website at www.sedar.com.