



CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY VALUE 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.



MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide long-term capital growth by investing in equity securities of Canadian companies.

To achieve its investment objective, the Fund invests most of its assets in the Phillips, Hager & North Canadian Equity Value Fund (the "underlying fund"). The underlying fund invests primarily in equities of Canadian companies priced below the portfolio manager's assessment of their true value and offering long-term opportunities for growth.

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 \$5 million as of March 31, 2018, from \$4 million as of March 31, 2017. The increase was due mainly to net inflows.

Over the past year, the Fund's Series A shares gained 0.5%, which underperformed the 1.7% 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.

Performance was driven by security selection during the period, with Energy and Materials the top-contributing sectors. In Energy, Enbridge Inc. was a core holding, but the Fund's overweight had a negative impact during the period. Pressure on the stock was largely the result of concern surrounding its balance sheet, pipeline-construction challenges and the potential for rising interest rates due to the utility nature of the company. To address cash-flow concerns to fund the project backlog, much of the heavy lifting was completed in late 2017. This included a \$1.5 billion private placement of common equity and \$900 million in preferred shares. The Fund's preference for Husky Energy over Cenovus Energy also benefited the Fund's performance over the period.

In the Materials sector, an overweight position in Interfor contributed positively over the period, as lumber pricing has been supportive. The renegotiation of the North American Free Trade Agreement and the Canada-U.S. softwood dispute remain areas to watch in 2018.

In the Canadian Consumer Discretionary sector, the Fund's underweight position in Magna International had a negative impact on returns. Magna, one of the world's leading auto-parts suppliers, experienced a decline in North American production, offset by strong cash generation and growth in Europe.

Shares of Canadian banks and bank earnings both gained last year. As a result, profit multiples stayed steady and slightly ahead of the historical average. Looking to 2018, the operating environment supports consensus estimates of mid-to-high single-digit earnings growth. The banks benefited from the Bank of Canada's more hawkish rate outlook, which should translate into rising net interest margins. As well, continued loan growth, expense controls and solid credit quality all bode well for bank profits.

Recent Developments

The Canadian housing market remains important for the economy and bank profitability. Toronto's residential market has shown signs of softening following regulatory changes enacted in January of this year. As well, the portfolio manager is aware of the economy's sensitivity to higher interest rates given the run-up in household debt. That said, the persistent improvement in labour markets is setting up an acceleration in income growth, which should mitigate some of the pressure.

The economic backdrop remains positive by post-crisis standards with many of the macroeconomic indicators that the portfolio manager monitors showing reasons to remain positive. While key risks of an aging business cycle, rising interest rates and protectionism persist, upside potential remains from structural reforms in Japan and U.S. fiscal stimulus. On balance, the portfolio manager expects the positives to outweigh the negatives, further driving potential in the stock market.



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.

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.



March 31, 2018

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	10.92	0.29	(0.21)	0.42	(0.37)	0.13	–	(0.15)	–	–	(0.15)	10.82
Mar. 31, 2017	9.61	0.29	(0.20)	0.12	1.15	1.36	–	(0.16)	–	–	(0.16)	10.92
Mar. 31, 2016	10.07	0.30	(0.20)	0.26	(0.39)	(0.03)	–	(0.11)	–	–	(0.11)	9.61
Mar. 31, 2015 ³	10.00 [†]	–	(0.04)	–	(0.07)	(0.11)	–	–	–	–	–	10.07
Advisor Series												
Mar. 31, 2018	10.93	0.29	(0.21)	0.42	(0.59)	(0.09)	–	(0.16)	–	–	(0.16)	10.82
Mar. 31, 2017	9.62	0.29	(0.20)	0.12	1.31	1.52	–	(0.16)	–	–	(0.16)	10.93
Mar. 31, 2016	10.07	0.22	(0.18)	0.19	(0.29)	(0.06)	–	(0.12)	–	–	(0.12)	9.62
Mar. 31, 2015 ³	10.00 [†]	–	(0.04)	–	(0.11)	(0.15)	–	–	–	–	–	10.07
Series D												
Mar. 31, 2018	10.92	0.29	(0.11)	0.43	(0.47)	0.14	–	(0.26)	–	–	(0.26)	10.81
Mar. 31, 2017	9.63	0.29	(0.11)	0.12	1.26	1.56	–	(0.27)	–	–	(0.27)	10.92
Mar. 31, 2016	10.08	0.28	(0.11)	0.24	(0.36)	0.05	–	(0.19)	–	–	(0.19)	9.63
Mar. 31, 2015 ³	10.00 [†]	–	(0.02)	–	(0.06)	(0.08)	–	–	–	–	–	10.08
Series F												
Mar. 31, 2018	10.91	0.29	(0.09)	0.43	(0.60)	0.03	–	(0.29)	–	–	(0.29)	10.79
Mar. 31, 2017	9.64	0.28	(0.08)	0.12	1.05	1.37	–	(0.32)	–	–	(0.32)	10.91
Mar. 31, 2016	10.09	0.28	(0.08)	0.24	(0.36)	0.08	–	(0.22)	–	–	(0.22)	9.64
Mar. 31, 2015 ³	10.00 [†]	–	(0.01)	–	(0.11)	(0.12)	–	–	–	–	–	10.09
Series O												
Mar. 31, 2018	10.99	0.27	(0.01)	0.39	(2.39)	(1.74)	–	(0.37)	–	–	(0.37)	10.88
Mar. 31, 2017	9.65	0.30	–	0.12	1.26	1.68	–	(0.34)	–	–	(0.34)	10.99
Mar. 31, 2016	10.10	0.41	–	0.35	(0.53)	0.23	–	(0.31)	–	–	(0.31)	9.65
Mar. 31, 2015 ³	10.00 [†]	–	–	–	(0.11)	(0.11)	–	–	–	–	–	10.10

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.

³ From October 16, 2014.

[†] Initial offering net asset value per mutual fund share.



March 31, 2018

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	10.82	232	21	1.88	1.94	8.35	0.07
Mar. 31, 2017	10.92	147	13	1.88 ⁴	1.96	23.37	0.08
Mar. 31, 2016	9.61	44	5	2.09	2.28	36.83	0.09
Mar. 31, 2015 ⁵	10.07	10	1	2.14	2.14	–	0.13
Advisor Series							
Mar. 31, 2018	10.82	271	25	1.91	1.97	8.35	0.07
Mar. 31, 2017	10.93	124	11	1.85 ⁴	1.93	23.37	0.08
Mar. 31, 2016	9.62	40	4	1.97	2.16	36.83	0.09
Mar. 31, 2015 ⁵	10.07	1	–	2.14	2.14	–	0.13
Series D							
Mar. 31, 2018	10.81	3 557	329	1.02	1.08	8.35	0.07
Mar. 31, 2017	10.92	3 325	304	1.06 ⁴	1.14	23.37	0.08
Mar. 31, 2016	9.63	2 609	271	1.23	1.42	36.83	0.09
Mar. 31, 2015 ⁵	10.08	629	62	1.28	1.28	–	0.13
Series F							
Mar. 31, 2018	10.79	265	25	0.77	0.83	8.35	0.07
Mar. 31, 2017	10.91	85	8	0.79 ⁴	0.87	23.37	0.08
Mar. 31, 2016	9.64	5	1	0.92	1.11	36.83	0.09
Mar. 31, 2015 ⁵	10.09	1	–	1.01	1.01	–	0.13
Series O							
Mar. 31, 2018	10.88	366	34	0.05	0.11	8.35	0.07
Mar. 31, 2017	10.99	1	–	0.05	0.13	23.37	0.08
Mar. 31, 2016	9.65	1	–	0.07	0.26	36.83	0.09
Mar. 31, 2015 ⁵	10.10	145	14	0.09	0.09	–	0.13

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 – 1.86%, Advisor Series – 1.83%, Series D – 1.03% and Series F – 0.75%.

⁵ From October 16, 2014.

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	1.60%	57%	43%
Advisor Series	1.60%	57%	43%
Series D	0.85%	25%	75%
Series F	0.60%	–	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.



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:

S&P/TSX Capped Composite Total Return Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series A	0.5	3.8	—	—	3.8
Benchmark	1.7	4.1	—	—	4.2
Advisor Series	0.4	3.8	—	—	3.9
Benchmark	1.7	4.1	—	—	4.2
Series D	1.3	4.7	—	—	4.7
Benchmark	1.7	4.1	—	—	4.2
Series F	1.6	5.0	—	—	5.0
Benchmark	1.7	4.1	—	—	4.2
Series O	2.3	5.8	—	—	5.8
Benchmark	1.7	4.1	—	—	4.2

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 26, 2015.

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

INDEX DESCRIPTION

S&P/TSX Capped Composite Total Return Index This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.



March 31, 2018

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at March 31, 2018

Investment Mix

	% of Net Asset Value
Financials	36.7
Energy	20.4
Industrials	11.2
Materials	8.0
Telecommunication Services	4.1
Consumer Staples	4.0
Consumer Discretionary	3.9
Real Estate	2.8
Information Technology	2.6
Utilities	2.5
Cash/Other	3.8

Top 25 Holdings*

	% of Net Asset Value
Royal Bank of Canada	7.3
Toronto-Dominion Bank	6.8
Bank of Nova Scotia	5.0
Suncor Energy Inc.	4.1
Cash & Cash Equivalents	3.7
Canadian National Railway Co.	3.3
Canadian Natural Resources Ltd.	3.1
Enbridge Inc.	3.0
Bank of Montreal	3.0
Brookfield Asset Management Inc., Class A	2.8
Nutrien Ltd.	2.3
Canadian Pacific Railway Ltd.	2.3
Manulife Financial Corporation	2.2
TransCanada Corp.	2.2
Canadian Imperial Bank of Commerce	2.2
Sun Life Financial Inc.	1.9
Waste Connections Inc.	1.8
BCE Inc.	1.8
Rogers Communications Inc., Class B	1.5
CGI Group Inc., Class A	1.5
Fairfax Financial Holdings Ltd.	1.4
Loblaw Companies Ltd.	1.4
Alimentation Couche-Tard Inc.	1.2
Encana Corp.	1.1
Pembina Pipeline Corp.	1.1
Top 25 Holdings	68.0

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