



INTERNATIONAL EQUITY FUND

**PHILLIPS, HAGER & NORTH
CURRENCY-HEDGED OVERSEAS
EQUITY FUND**

December 31, 2021

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

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 10, 2022.

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 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/en/ca 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.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").



MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks 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, as well as Japan, Australia and the rest of the Far East, while minimizing fluctuations in the value of foreign currencies relative to the Canadian dollar. To achieve the Fund's investment objective, the portfolio manager invests primarily in units of the Phillips, Hager & North Overseas Equity Fund (the "underlying fund"), as well as derivative instruments that are used to hedge against fluctuations in the value of foreign currencies relative to the Canadian dollar.

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.

Results of Operations

The Fund's net asset value rose to \$206 million as of December 31, 2021, from \$193 million at the end of 2020. The increase was due to investment returns, partially offset by net redemptions.

Over the past year, the Fund's Series O units gained 12.0%, which underperformed the 19.1% rise in the benchmark. The Fund's return is after the deduction of expenses, while 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.

Global equities delivered solid returns to investors in 2021, with world economic growth rebounding after widespread COVID-19 vaccinations allowed economies around the world to reopen. Toward the end of the year, returns were limited by the emergence of a highly contagious coronavirus variant and the fastest inflation growth in decades driven by severe supply-chain disruptions and shortages of raw materials and workers, particularly in the U.S.

The year could be separated into four phases: it began with anticipation that COVID-19 vaccinations would create a pathway back to a post-pandemic "normal." This phase led to a "junk rally," with hope returning to struggling business models and was a headwind for portfolio performance due to an underexposure to such businesses. Stocks exposed to an economic recovery, including energy equities, did especially well during this phase. A period ensued during which there was a renewed focus on company results, allowing portfolio performance to recover with good gains from stock selection.

As the year progressed, it became clear that supply-chain disruptions in the face of elevated demand were leading to price increases for many goods, sparking debate over whether inflation would be contained or spread more widely and rise to levels that would require interest-rate hikes. As the year drew to a close, the emergence of the Omicron variant added another source of uncertainty for investors, as they considered the likely size and duration of possible disruption.

The Fund's performance benefited from positions in Deutsche Post, St. James's Place and Croda International. Stocks that held back returns included Orsted, AIA Group and Neste.

Recent Developments

The arrival of the Omicron variant has, for now, complicated the economic recovery and progress on what investors had assumed would be a decent amount of monetary tightening. Should the Omicron variant prove less harmful, it could mark an important step toward the virus becoming endemic and less economically threatening. In this scenario, attention would quickly return to the pace and size of monetary tightening required to address immediate inflationary pressures.

However, should Omicron prove difficult to manage, we would likely see the reappearance of restrictive government policies that would have a negative impact on corporate profitability.

Whichever scenario emerges, the portfolio manager continues to believe that investors' interests will be best served by owning great sustainable businesses. Such businesses are likely to benefit from competitive advantages that enable them to maintain profit margins and capture the opportunities arising from the changing business environment. The Fund continues to focus, therefore, on constructing well balanced portfolios whose returns in excess of the benchmark are determined by the companies held and where volatility from unintended exposures is minimized.

Effective September 15, 2021, the Fund was closed to new investors. Existing investors who held units of the Fund on September 15, 2021 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.

Effective February 28, 2021, Ms. Catherine J. Klopfer resigned as Vice Chair of the Independent Review Committee (the "IRC"). Effective March 22, 2021, Mr. Paul K. Bates was appointed as Vice Chair of the IRC. Effective April 1, 2021, Ms. Brenda Eaton was appointed as a member of the IRC.



Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal 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 units 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 unitholders 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 principal distributors of, or may distribute certain series of units of, the Fund. Dealers may receive an ongoing commission based on the total value of their clients' investment in certain series of units of the Fund.

Registrars

RBC GAM, RBC Investor Services Trust ("RBC IS") or Royal Bank (or a combination thereof) are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Trustee and Custodian

RBC IS is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Securities Lending Agent

To the extent the Fund may engage in securities lending transactions, RBC IS may act as the Fund's securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

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.



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.

Change in Net Assets Per Unit (\$)

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												
Dec. 31, 2021	14.77	0.25	(0.33)	1.64	(0.12)	1.44	–	–	(0.61)	–	(0.61)	15.59
Dec. 31, 2020	12.91	0.17	(0.26)	0.07	2.53	2.51	–	–	–	–	–	14.77
Dec. 31, 2019	10.08	0.32	(0.25)	0.81	2.04	2.92	–	(0.05)	–	–	(0.05)	12.91
Dec. 31, 2018	11.69	0.24	(0.24)	0.40	(2.08)	(1.68)	–	(0.03)	–	–	(0.03)	10.08
Dec. 31, 2017	9.38	0.23	(0.22)	0.54	1.75	2.30	–	–	–	–	–	11.69
Series D												
Dec. 31, 2021	14.50	0.25	(0.19)	1.61	(0.16)	1.51	–	(0.05)	(0.61)	–	(0.66)	15.38
Dec. 31, 2020	12.57	0.16	(0.15)	0.06	1.81	1.88	–	–	–	–	–	14.50
Dec. 31, 2019	9.81	0.32	(0.14)	0.79	1.95	2.92	–	(0.16)	–	–	(0.16)	12.57
Dec. 31, 2018	11.38	0.23	(0.14)	0.39	(1.80)	(1.32)	–	(0.12)	–	–	(0.12)	9.81
Dec. 31, 2017	9.13	0.23	(0.13)	0.53	1.70	2.33	–	(0.09)	–	–	(0.09)	11.38
Series F												
Dec. 31, 2021	14.65	0.25	(0.15)	1.63	(0.16)	1.57	–	(0.10)	(0.61)	–	(0.71)	15.54
Dec. 31, 2020	12.70	0.16	(0.12)	0.06	(1.68)	(1.58)	–	(0.04)	–	–	(0.04)	14.65
Dec. 31, 2019	9.91	0.32	(0.11)	0.79	1.35	2.35	–	(0.20)	–	–	(0.20)	12.70
Dec. 31, 2018	11.49	0.24	(0.11)	0.40	(2.77)	(2.24)	–	(0.14)	–	–	(0.14)	9.91
Dec. 31, 2017	9.22	0.23	(0.11)	0.54	1.64	2.30	–	(0.11)	–	–	(0.11)	11.49
Series O												
Dec. 31, 2021	14.68	0.25	–	1.64	(0.12)	1.77	(0.01)	(0.24)	(0.62)	–	(0.87)	15.57
Dec. 31, 2020	12.72	0.17	–	0.07	1.73	1.97	(0.01)	(0.17)	–	–	(0.18)	14.68
Dec. 31, 2019	9.93	0.32	–	0.80	2.00	3.12	–	(0.32)	–	–	(0.32)	12.72
Dec. 31, 2018	11.53	0.24	–	0.40	(1.86)	(1.22)	–	(0.25)	–	–	(0.25)	9.93
Dec. 31, 2017	9.26	0.23	(0.01)	0.54	1.74	2.50	–	(0.23)	–	–	(0.23)	11.53

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

² Distributions are reinvested in additional units of the Fund or paid in cash.



FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
Dec. 31, 2021	15.59	2 529	162	2.14	2.14	13.42	0.08
Dec. 31, 2020	14.77	2 491	169	2.15	2.15	3.16	0.09
Dec. 31, 2019	12.91	1 236	96	2.15	2.15	22.57	0.04
Dec. 31, 2018	10.08	1 025	102	2.13	2.13	7.68	0.10
Dec. 31, 2017	11.69	818	70	2.20	2.20	7.99	0.21
Series D							
Dec. 31, 2021	15.38	13 937	906	1.27	1.27	13.42	0.08
Dec. 31, 2020	14.50	12 424	857	1.27	1.27	3.16	0.09
Dec. 31, 2019	12.57	11 010	876	1.27	1.27	22.57	0.04
Dec. 31, 2018	9.81	8 974	915	1.25	1.25	7.68	0.10
Dec. 31, 2017	11.38	14 618	1 285	1.30	1.30	7.99	0.21
Series F							
Dec. 31, 2021	15.54	31 811	2 047	0.97	0.97	13.42	0.08
Dec. 31, 2020	14.65	25 988	1 774	1.00	1.00	3.16	0.09
Dec. 31, 2019	12.70	44 114	3 475	0.99	0.99	22.57	0.04
Dec. 31, 2018	9.91	20 272	2 046	1.03	1.03	7.68	0.10
Dec. 31, 2017	11.49	9 589	835	1.10	1.10	7.99	0.21
Series O							
Dec. 31, 2021	15.57	157 551	10 120	0.04	0.04	13.42	0.08
Dec. 31, 2020	14.68	152 275	10 372	0.04	0.04	3.16	0.09
Dec. 31, 2019	12.72	151 056	11 872	0.04	0.04	22.57	0.04
Dec. 31, 2018	9.93	121 589	12 245	0.04	0.04	7.68	0.10
Dec. 31, 2017	11.53	165 173	14 326	0.19	0.19	7.99	0.21

¹ The management expense ratio ("MER") is based on the direct expenses charged to the Fund and the Fund's proportionate share of the expenses of underlying funds, if any, 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 unitholders, 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 high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

³ The trading expense ratio represents total commissions and other portfolio transaction costs of the Fund and the Fund's proportionate share of such costs of underlying funds 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.

Effective October 2, 2017, the administration fees for Series O units were reduced to 0.02% from 0.14%. If the changes to the administration fees would have been in effect throughout the financial year ended December 31, 2017, the adjusted MER for each series of the Fund would be: Series O – 0.09%.



FINANCIAL HIGHLIGHTS (cont.)

Management Fees and Administration Fees

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

	Management Fees	Breakdown of Services		Administration Fees
		Distribution	Other*	
Series A	1.75%	57%	43%	0.15%
Series D	1.00%	25%	75%	0.15%
Series F	0.75%	–	100%	0.15%
Series O	n/a	n/a	n/a	0.02%

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

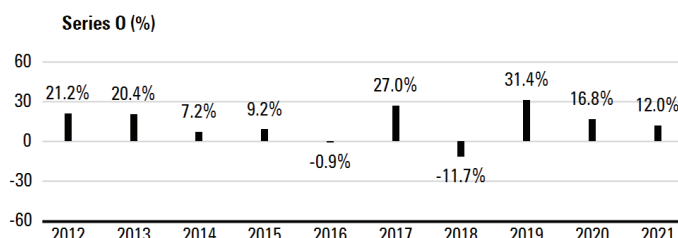
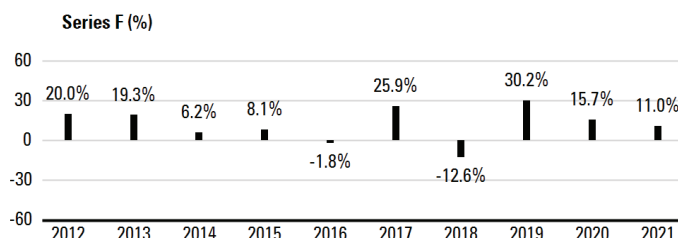
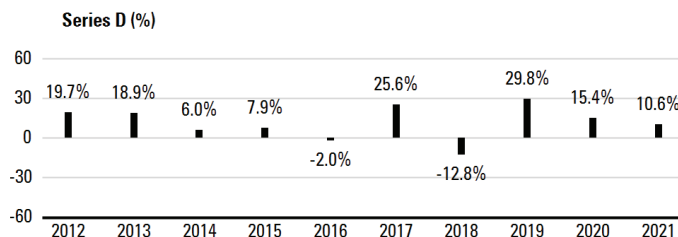
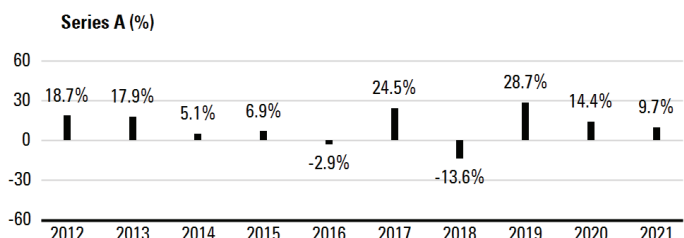
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units 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.





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 December 31, 2021, compared with the following benchmark:

MSCI EAFE Total Return Net Index (hedged to CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series A	9.7	17.3	11.7	10.2	—
Benchmark	19.1	13.9	9.1	10.6	—
Series D	10.6	18.3	12.7	11.2	—
Benchmark	19.1	13.9	9.1	10.6	—
Series F	11.0	18.7	13.0	11.5	—
Benchmark	19.1	13.9	9.1	10.6	—
Series O	12.0	19.8	14.0	12.5	—
Benchmark	19.1	13.9	9.1	10.6	—

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

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

The Fund was closed to new investors effective September 15, 2021.

Advisor Series units were capped effective June 26, 2020, and re-designated as Series A units effective August 4, 2020.

INDEX DESCRIPTIONS

MSCI EAFE Total Return Net Index (hedged to CAD) This index is a broad measure of the 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. The index is hedged to Canadian dollars.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2021

Investment Mix – Sectors

	% of Net Asset Value
Financials	24.9
Industrials	17.2
Consumer Discretionary	16.8
Health Care	10.1
Consumer Staples	9.2
Materials	6.3
Information Technology	6.1
Energy	4.8
Utilities	3.4
Cash/Other	1.2

Investment Mix – Countries/Regions

	% of Net Asset Value
Europe ex-United Kingdom Equities	50.7
United Kingdom Equities	17.6
Japan Equities	15.0
Pacific Rim ex-Japan Equities	13.0
Middle East and Africa Equities	1.5
United States Equities	1.0
Cash/Other	1.2

Top 25 Holdings*

	% of Net Asset Value
Roche Holdings AG Genussscheine	7.3
Deutsche Post AG	6.7
Inditex S.A.	5.1
Nidec Corp.	4.7
AIA Group Ltd.	4.7
Anheuser-Busch InBev S.A./N.V.	4.5
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	3.8
St James's Place Plc.	3.8
InterContinental Hotels Group Plc.	3.5
Orsted A/S	3.4
Croda International Plc.	3.4
Kerry Group Plc.	3.4
DBS Group Holdings Ltd.	3.3
Legal & General Group Plc.	3.1
Astellas Pharma Inc.	2.9
Partners Group Holding AG	2.8
Oriental Land Co. Ltd.	2.8
Equinor ASA	2.7
Recruit Holdings Co. Ltd.	2.4
Adyen N.V.	2.3
Prosus N.V.	2.3
Erste Bank Der Oesterreichischen Sparkassen AG	2.3
MISUMI Group Inc.	2.3
Neste OYJ	2.3
Wolters Kluwer N.V.	2.1
Top 25 Holdings	87.9

* 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/en/ca.

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