

GLOBAL EQUITY FUND

PHILLIPS, HAGER & NORTH
COMMUNITY VALUES GLOBAL
EQUITY FUND

December 31, 2016

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

Sub-Advisor: RBC Global Asset Management (UK) Limited

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 8, 2017.

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/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.

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 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, as well as Japan, Australia and the rest of the Far East. The portfolio manager's intention is that the securities of companies that conduct themselves in a socially responsible manner will be included in the portfolio. To achieve the Fund's investment objective, the portfolio manager invests primarily in companies that they believe have sound fundamentals, a strong market position, a history of profitability, a capable management team, and attractive valuations.

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 \$135 million as of December 31, 2016, from \$123 million at the end of 2015. The increase was due mostly to net inflows.

Over the past year, the Fund's Series O units gained 1.2%, which underperformed the 3.8% 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.

The bulk of the Fund's underperformance was due to events and trends that occurred in the second half of 2016, and which accelerated after the election of Donald Trump as U.S. president in November.

A number of factors held back returns for investors in global equity markets, particularly for those focused on longer-term drivers of performance. Among the negatives were rising U.S. bond yields, which harmed the Fund's holdings in the Consumer Staples sector and propelled shares of the lowest-quality companies in the Financials sector – stocks that were absent from the portfolio because they almost never meet the Fund's investment criteria. Moreover, expectations that governments would boost fiscal spending aided stocks in the Materials sector, a sector where the sub-advisor has struggled to find high-quality businesses. The decision by the U.K. in June to leave the EU ("Brexit") was a negative for a number of the Fund's U.K. holdings. In addition, the Fund's Health Care holdings came under pressure owing to concerns that drug-price increases would be limited.

Stocks in the portfolio that had a negative impact on returns included the pharmaceuticals companies Novo Nordisk of Denmark and Swiss-based Roche, as well as the U.K. bank Lloyds, which was hurt by the Brexit vote.

Contributors to returns included EOG Resources, an oil producer that benefited from higher prices; UnitedHealth, a U.S. provider of health-insurance programs; and chip maker Taiwan Semiconductor, which benefited from demand for products used in mobile devices, especially Apple's iPhone.

Recent Developments

Big-picture events dominated financial markets in 2016. Oil-price swings, relative bond yields, Brexit and the U.S. Presidential election all distracted investors to some degree from company earnings and balance sheets – fundamentals that tend to determine long-term shareholder returns. The sub-advisor remains convinced that investors will more fully realize the value of holdings in the portfolio in due course. Investors must be mindful that signs of a retreat in global trade may mark the start of a longer-term trend that negatively affects capital markets. The sub-advisor has attempted to factor in any impact related to this shift.

Effective December 1, 2016, Mr. Lloyd R. McGinnis retired and Ms. Éline Cousineau was appointed as Chair of the Independent Review Committee (the "IRC"). Mr. Charles F. Macfarlane was appointed as Vice Chair of the IRC. Effective January 1, 2017, Ms. Suromitra Sanatani and Ms. Catherine Kloefer were appointed as members of the IRC.

Effective July 1, 2016, Deloitte LLP resigned and PricewaterhouseCoopers LLP was appointed as auditors of the Fund.

Effective June 30, 2016, Series C units were renamed Series A units.

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.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Sub-Advisor

RBC Global Asset Management (UK) Limited is the sub-advisor and provides investment advice for the Fund.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
Distributors

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

Trustee and Custodian

RBC Investor Services Trust ("RBC IS") is the trustee and custodian of the Fund.

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

Registrars

RBC GAM and RBC IS are the registrars of the Fund and keep records of who owns units of the Fund.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. These related-party commissions were \$16,000 (2015 – \$26,000), or 7% (2015 – 15%) of the total transaction costs paid for this 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.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY 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. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 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 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North 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 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	Total	
Series A												
Dec. 31, 2016	13.70	0.27	(0.27)	0.76	(0.90)	(0.14)	—	—	(0.58)	—	(0.58)	13.03
Dec. 31, 2015	11.52	0.24	(0.27)	0.91	1.65	2.53	—	—	(0.33)	—	(0.33)	13.70
Dec. 31, 2014	11.10	0.26	(0.25)	2.59	(1.03)	1.57	—	(0.02)	(1.13)	—	(1.15)	11.52
Dec. 31, 2013	8.43	0.21	(0.20)	0.98	1.70	2.69	—	(0.01)	—	—	(0.01)	11.10
Dec. 31, 2012	7.61	0.20	(0.17)	(0.19)	0.97	0.81	—	(0.03)	—	—	(0.03)	8.43
Advisor Series												
Dec. 31, 2016	13.70	0.27	(0.27)	0.76	(0.59)	0.17	—	—	(0.58)	—	(0.58)	13.03
Dec. 31, 2015	11.53	0.24	(0.27)	0.91	1.65	2.53	—	—	(0.33)	—	(0.33)	13.70
Dec. 31, 2014	11.10	0.26	(0.25)	2.58	(1.03)	1.56	—	(0.02)	(1.13)	—	(1.15)	11.53
Dec. 31, 2013	8.43	0.21	(0.21)	0.98	1.70	2.68	—	(0.01)	—	—	(0.01)	11.10
Dec. 31, 2012	7.61	0.20	(0.17)	(0.19)	0.97	0.81	—	(0.03)	—	—	(0.03)	8.43
Series D												
Dec. 31, 2016	13.63	0.27	(0.16)	0.76	(0.87)	—	—	(0.09)	(0.58)	—	(0.67)	12.98
Dec. 31, 2015	11.43	0.24	(0.16)	0.91	1.64	2.63	—	(0.08)	(0.33)	—	(0.41)	13.63
Dec. 31, 2014	11.03	0.26	(0.15)	2.58	(1.02)	1.67	—	(0.12)	(1.13)	—	(1.25)	11.43
Dec. 31, 2013	8.38	0.20	(0.12)	0.97	1.68	2.73	—	(0.11)	—	—	(0.11)	11.03
Dec. 31, 2012	7.56	0.20	(0.10)	(0.19)	0.97	0.88	—	(0.10)	—	—	(0.10)	8.38
Series F												
Dec. 31, 2016	13.62	0.27	(0.13)	0.76	(0.48)	0.42	—	(0.13)	(0.58)	—	(0.71)	12.98
Dec. 31, 2015	11.43	0.24	(0.13)	0.91	1.64	2.66	—	(0.11)	(0.32)	—	(0.43)	13.62
Dec. 31, 2014	11.02	0.26	(0.12)	2.58	(1.02)	1.70	—	(0.15)	(1.13)	—	(1.28)	11.43
Dec. 31, 2013	8.37	0.21	(0.10)	0.99	1.71	2.81	—	(0.13)	—	—	(0.13)	11.02
Dec. 31, 2012	7.55	0.20	(0.08)	(0.19)	0.96	0.89	—	(0.12)	—	—	(0.12)	8.37
Series O												
Dec. 31, 2016	13.87	0.28	(0.02)	0.78	(0.81)	0.23	—	(0.24)	(0.60)	—	(0.84)	13.21
Dec. 31, 2015	11.64	0.24	(0.02)	0.93	1.68	2.83	—	(0.23)	(0.34)	—	(0.57)	13.87
Dec. 31, 2014	11.20	0.26	(0.02)	2.63	(1.05)	1.82	—	(0.26)	(1.13)	—	(1.39)	11.64
Dec. 31, 2013	8.51	0.21	(0.02)	0.99	1.72	2.90	—	(0.23)	—	—	(0.23)	11.20
Dec. 31, 2012	7.67	0.20	(0.01)	(0.19)	0.98	0.98	—	(0.19)	—	—	(0.19)	8.51

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.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
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, 2016	13.03	3 347	257	2.08	2.08	45.89	0.18
Dec. 31, 2015	13.70	3 528	258	2.08	2.08	35.36	0.15
Dec. 31, 2014	11.52	1 914	166	2.08	2.08	213.55	0.29
Dec. 31, 2013	11.10	1 320	119	2.12	2.12	57.54	0.20
Dec. 31, 2012	8.44	522	62	2.10	2.10	89.40	0.26
Advisor Series							
Dec. 31, 2016	13.03	4 947	380	2.08	2.08	45.89	0.18
Dec. 31, 2015	13.70	3 010	220	2.07	2.07	35.36	0.15
Dec. 31, 2014	11.53	1 259	109	2.09	2.09	213.55	0.29
Dec. 31, 2013	11.10	697	63	2.12	2.12	57.54	0.20
Dec. 31, 2012	8.44	149	18	2.10	2.10	89.40	0.26
Series D							
Dec. 31, 2016	12.98	12 050	928	1.24	1.24	45.89	0.18
Dec. 31, 2015	13.63	13 458	987	1.24	1.24	35.36	0.15
Dec. 31, 2014	11.43	8 053	704	1.24	1.24	213.55	0.29
Dec. 31, 2013	11.03	6 801	617	1.25	1.25	57.54	0.20
Dec. 31, 2012	8.38	5 844	697	1.28	1.28	89.40	0.26
Series F							
Dec. 31, 2016	12.98	4 553	351	0.99	0.99	45.89	0.18
Dec. 31, 2015	13.62	1 900	139	1.00	1.00	35.36	0.15
Dec. 31, 2014	11.43	754	66	0.98	0.98	213.55	0.29
Dec. 31, 2013	11.02	308	28	1.03	1.03	57.54	0.20
Dec. 31, 2012	8.37	91	11	1.02	1.02	89.40	0.26
Series O							
Dec. 31, 2016	13.21	109 865	8 320	0.17	0.17	45.89	0.18
Dec. 31, 2015	13.87	101 222	7 297	0.17	0.17	35.36	0.15
Dec. 31, 2014	11.64	91 808	7 886	0.17	0.17	213.55	0.29
Dec. 31, 2013	11.20	78 624	7 018	0.16	0.16	57.54	0.20
Dec. 31, 2012	8.51	73 186	8 598	0.17	0.17	89.40	0.26

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 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 expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
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%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

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.

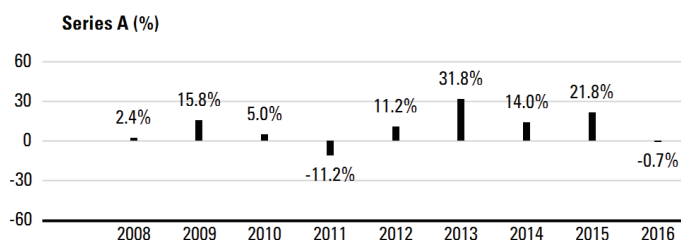
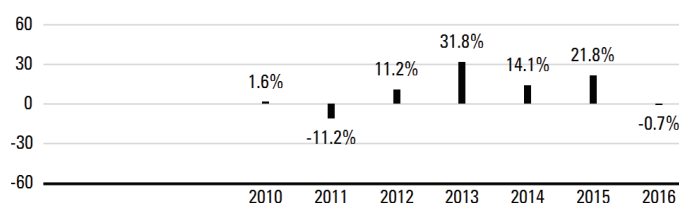
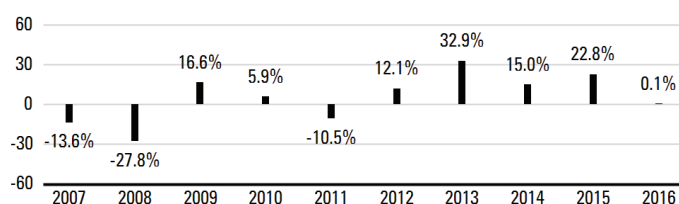
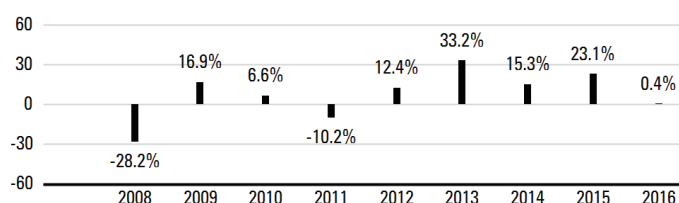
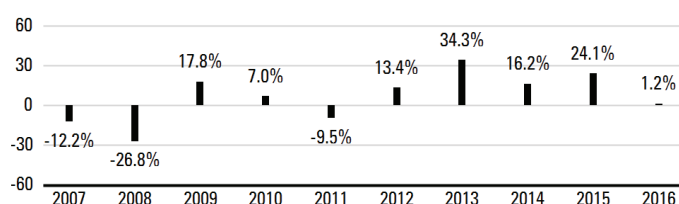
* Includes all costs related to management, investment advisory services, general administration and profit.

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.


Advisor Series (%)

Series D (%)

Series F (%)

Series O (%)


**PHILLIPS, HAGER & NORTH COMMUNITY VALUES
GLOBAL EQUITY FUND**
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, 2016, compared with the following benchmark:

MSCI World Total Return Net Index (CAD)

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series A	-0.7	11.3	15.1	—	10.5
Benchmark	3.8	12.2	16.7	—	12.1
Advisor Series	-0.7	11.3	15.1	—	10.2
Benchmark	3.8	12.2	16.7	—	13.2
Series D	0.1	12.2	16.1	3.8	—
Benchmark	3.8	12.2	16.7	5.3	—
Series F	0.4	12.5	16.4	—	6.2
Benchmark	3.8	12.2	16.7	—	6.8
Series O	1.2	13.4	17.3	5.0	—
Benchmark	3.8	12.2	16.7	5.3	—

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.

Advisor Series units have been available for sale to unitholders since October 2010, Series A units since November 2008, and Series F units since December 2007.

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

All outstanding Series C units were renamed Series A units effective June 30, 2016. Series D was known as Series A prior to November 17, 2008.

INDEX DESCRIPTION

MSCI World Total Return Net Index (CAD) This index is the capitalization-weighted index measuring the Canadian dollar performance of selected companies listed on stock exchanges in countries around the world. 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 December 31, 2016

Investment Mix – Sectors

	% of Net Asset Value
Information Technology	19.9
Financials	18.3
Health Care	15.6
Industrials	15.6
Consumer Discretionary	10.4
Energy	6.7
Consumer Staples	5.8
Materials	3.7
Utilities	2.4
Telecommunication Services	0.9
Cash/Other	0.7

Investment Mix – Countries/Regions

	% of Net Asset Value
United States Equities	55.6
Europe ex-United Kingdom Equities	16.9
Pacific Rim ex-Japan Equities	9.3
Japan Equities	7.6
United Kingdom Equities	7.1
Middle East and Africa Equities	2.9
Cash/Other	0.6

Top 25 Holdings

	% of Net Asset Value
UnitedHealth Group Incorporated	4.4
Deutsche Post AG	4.4
Alphabet Inc., Class A	4.2
Intuit Inc.	4.1
First Republic Bank	4.0
TJX Companies Inc.	3.8
InterContinental Hotels Group Plc.	3.7
Safran S.A.	3.7
Estée Lauder Companies Inc., Class A	3.7
EOG Resources Inc.	3.6
Danaher Corp.	3.6
Blackstone Group LP	3.5
Fortive Corp.	3.3
Roche Holdings AG Genusscheine	3.2
Gartner Inc.	3.1
ASML Holding N.V.	3.1
Naspers Ltd.	2.9
HDFC Bank Ltd. ADR	2.8
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	2.8
Activision Blizzard Inc.	2.7
SVB Financial Group	2.6
Novo Nordisk A/S	2.5
Nidec Corp.	2.3
AIA Group Ltd.	2.2
Ecolab Inc.	2.0
Top 25 Holdings	82.2

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. It is updated quarterly and may be obtained by calling our Investment Funds Centre at 1-800-661-6141, by viewing on our website, www.rbcgam.com/funds, or by emailing us at info@phn.com.