



CANADIAN EQUITY FUND

**PHILLIPS, HAGER & NORTH
CANADIAN EQUITY PENSION TRUST**

December 31, 2022

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 9, 2023.

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/regulatorydocuments 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 shares of Canadian companies, which are chosen primarily for their growth potential. To achieve the Fund's investment objective, the portfolio manager invests in companies that they believe have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, and strong earnings potential.

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 fell to \$527 million as of December 31, 2022, from \$574 million at the end of 2021. The decrease was due to a combination of net redemptions and investment losses.

Over the past year, the Fund's Series O units lost 5.0%, which outperformed the 5.8% decline 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.

Canadian and U.S. stocks tumbled in 2022, fueled by the highest inflation in decades and the concurrent rise in interest rates. Stocks came under pressure after the U.S. Federal Reserve and the Bank of Canada responded to inflation – the fastest in 40 years – with a vow to stamp it out with successive interest-rate hikes. Interest-rate-sensitive stocks were hurt most, resulting in a sell-off in the Information Technology sector in both markets. Meanwhile, a surge in energy prices helped cushion market returns in Canada, which outperformed most other major markets during the year. The drop in the S&P 500 Index was the worst since 2008 – the year of the financial crisis – but only since 2018 for the Canadian benchmark.

The Fund's relative exposure to Cenovus Energy, PrairieSky Royalty and Element Fleet Management had the most positive impact on the Fund's returns, while exposure to BrookfieldCorp., Canadian Apartment Properties REIT and Pembina Pipeline was negative for performance.

The sectors that had the most positive impact on the Fund's returns were Financials, Communication Services and Consumer Discretionary, while exposure to Real Estate, Industrials and Consumer Staples had a negative impact.

The Fund had overweight positions in Keyera, Manulife Financial and Canadian Apartment Properties REIT and underweight positions in BCE, Pembina Pipeline and National Bank of Canada.

At the sector level, the Fund had overweight exposure to Financials, Industrials and Real Estate and underweight exposure to Utilities, Materials and Consumer Staples.

Recent Developments

Uncertainty is elevated and there is a wide range of potential outcomes for the economy and financial markets. The good news for investors is that stocks are now much more reasonably priced than they were at the start of the year. While valuation risk has diminished and long-term return potential has increased, stock prices could still fall in the event that we enter a recession and earnings decline. In the current environment, stock gains could be limited in the near term absent evidence that the economy is cooling adequately to bring down inflation while avoiding a recession.

Effective September 20, 2022, Brenda Eaton was appointed as Vice Chair of the Independent Review Committee (the "IRC") following the death of Paul K. Bates, who had served as a dedicated member of the IRC since December 2014. Effective December 31, 2022, Charles F. Macfarlane stepped down as a member of the IRC, and effective January 1, 2023, Suromitra Sanatani was appointed as Chair 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.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. For the periods ended December 31, 2022 and 2021, the related-party commissions were \$17,000 (2021 – \$34,000), or 11% (2021 – 17%) 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.



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 (\$)

| | | Increase (Decrease) from Operations ¹ | | | | | Annual Distributions ² | | | | | | |
|-------------------------------|--|--|-------------------|-------------------------------|---------------------------------|--------|--|-------------------|--------------------------|----------------------|--------|-------------------------------------|--|
| For the Year/ Period Ended | Net Assets Beginning 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 | Net Assets End of Year/Period | |
| Series N | | | | | | | | | | | | | |
| Dec. 31, 2022 | 12.16 | 0.35 | — | 0.83 | (2.66) | (1.48) | (0.02) | (0.33) | (0.87) | — | (1.22) | 10.33 | |
| Dec. 31, 2021 | 11.14 | 0.34 | — | 1.49 | 1.20 | 3.03 | (0.02) | (0.35) | (1.64) | — | (2.01) | 12.16 | |
| Dec. 31, 2020 | 10.98 | 0.33 | — | 0.02 | 0.30 | 0.65 | (0.02) | (0.29) | (0.18) | — | (0.49) | 11.14 | |
| Dec. 31, 2019 | 9.24 | 0.31 | — | 0.01 | 1.76 | 2.08 | (0.02) | (0.30) | (0.03) | — | (0.35) | 10.98 | |
| Dec. 31, 2018 | 10.69 | 0.30 | — | 0.10 | 0.80 | 1.20 | (0.02) | (0.30) | (0.17) | — | (0.49) | 9.24 | |
| Series O | | | | | | | | | | | | | |
| Dec. 31, 2022 | 9.60 | 0.28 | — | 0.65 | (1.35) | (0.42) | (0.02) | (0.26) | (0.69) | — | (0.97) | 8.15 | |
| Dec. 31, 2021 | 8.80 | 0.27 | — | 1.17 | 0.99 | 2.43 | (0.01) | (0.28) | (1.30) | — | (1.59) | 9.60 | |
| Dec. 31, 2020 | 8.67 | 0.26 | — | 0.02 | 0.38 | 0.66 | (0.01) | (0.24) | (0.14) | — | (0.39) | 8.80 | |
| Dec. 31, 2019 | 7.30 | 0.24 | — | 0.01 | 1.40 | 1.65 | (0.02) | (0.23) | (0.02) | — | (0.27) | 8.67 | |
| Dec. 31, 2018 | 8.44 | 0.24 | — | 0.08 | (1.06) | (0.74) | (0.01) | (0.25) | (0.13) | — | (0.39) | 7.30 | |

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.

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 N | | | | | | | |
| Dec. 31, 2022 | 10.33 | 2 | — | 0.02 | 0.02 | 34.84 | 0.03 |
| Dec. 31, 2021 | 12.16 | 2 | — | 0.02 | 0.02 | 33.59 | 0.04 |
| Dec. 31, 2020 | 11.14 | 1 | — | 0.02 | 0.02 | 33.86 | 0.05 |
| Dec. 31, 2019 | 10.98 | 1 | — | 0.02 | 0.02 | 14.51 | 0.03 |
| Dec. 31, 2018 | 9.24 | 1 | — | 0.02 | 0.02 | 34.89 | 0.05 |
| Series O | | | | | | | |
| Dec. 31, 2022 | 8.15 | 527 089 | 64 640 | 0.02 | 0.02 | 34.84 | 0.03 |
| Dec. 31, 2021 | 9.60 | 573 776 | 59 773 | 0.02 | 0.02 | 33.59 | 0.04 |
| Dec. 31, 2020 | 8.80 | 534 835 | 60 788 | 0.02 | 0.02 | 33.86 | 0.05 |
| Dec. 31, 2019 | 8.67 | 468 965 | 54 077 | 0.02 | 0.02 | 14.51 | 0.03 |
| Dec. 31, 2018 | 7.30 | 391 389 | 53 612 | 0.02 | 0.02 | 34.89 | 0.05 |

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.



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 N | n/a | n/a | n/a | 0.02% |
| Series O | n/a | n/a | n/a | 0.02% |

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

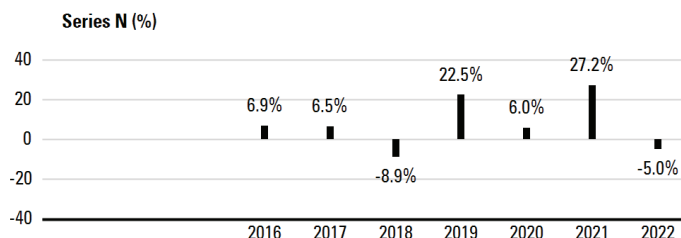
* Includes all costs related to management, investment advisory services, general administration and profit.

PAST PERFORMANCE

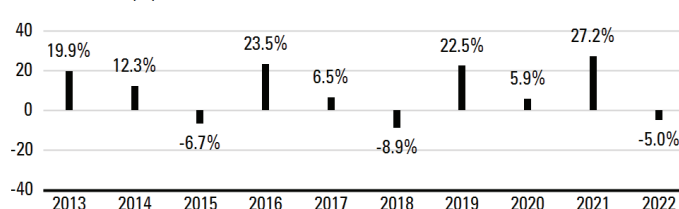
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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.



Series O (%)



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, 2022, 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 N | -5.0 | 8.6 | 7.4 | — | 8.0 |
| Benchmark | -5.8 | 7.5 | 6.8 | — | 7.6 |
| Series O | -5.0 | 8.6 | 7.4 | 9.0 | — |
| Benchmark | -5.8 | 7.5 | 6.8 | 7.7 | — |

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.

Series N units have been available for sale to unitholders since August 22, 2016.

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

INDEX DESCRIPTIONS

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.



SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2022

Investment Mix

| | % of Net Asset Value |
|------------------------|----------------------|
| Financials | 31.4 |
| Energy | 16.8 |
| Industrials | 13.7 |
| Materials | 10.9 |
| Information Technology | 6.2 |
| Utilities | 4.4 |
| Communication Services | 3.9 |
| Consumer Staples | 3.7 |
| Real Estate | 3.6 |
| Consumer Discretionary | 3.5 |
| Health Care | 0.3 |
| Cash/Other | 1.6 |

Top 25 Holdings

| | % of Net Asset Value |
|---|----------------------|
| Phillips, Hager & North Small Float Fund - Series O | 12.5 |
| Royal Bank of Canada | 6.8 |
| Toronto-Dominion Bank | 6.3 |
| Enbridge Inc | 3.7 |
| Canadian Pacific Railway Ltd | 3.6 |
| Bank of Montreal | 3.3 |
| Canadian National Railway Co | 3.2 |
| Canadian Natural Resources Ltd | 2.9 |
| Brookfield Corp | 2.9 |
| Manulife Financial Corp | 2.7 |
| Suncor Energy Inc | 2.6 |
| Constellation Software Inc/Canada | 2.5 |
| Bank of Nova Scotia | 2.1 |
| Brookfield Infrastructure Partners LP | 2.0 |
| Alimentation Couche-Tard Inc | 2.0 |
| Rogers Communications Inc | 1.9 |
| Shopify Inc | 1.9 |
| Sun Life Financial Inc | 1.9 |
| Canadian Imperial Bank of Commerce | 1.8 |
| Emera Inc | 1.7 |
| Cenovus Energy Inc | 1.7 |
| Nutrien Ltd | 1.6 |
| Intact Financial Corp | 1.5 |
| TC Energy Corp | 1.4 |
| Agnico Eagle Mines Ltd | 1.4 |
| Top 25 Holdings | 75.9 |

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/regulatorydocuments.

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