



BALANCED FUND

**PHILLIPS, HAGER & NORTH
BALANCED 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 and income by investing primarily in a well-diversified, balanced portfolio of common stocks, bonds and money market securities from anywhere around the world. To achieve the Fund's investment objective, the portfolio manager invests a significant portion or even all of the net asset value of the Fund in other funds managed by RBC GAM where the investment is consistent with the investment objectives and strategies of the Fund.

The Fund uses a strategic asset allocation approach that determines the appropriate asset mix with broad pre-established guidelines for each asset class. The Fund's target weightings for each asset class are 40% for fixed-income, 20% for Canadian equities, 36% for global equities and 4% for emerging-markets equities. The target weightings for each asset class may be adjusted based on changes in the market outlook for each asset class. The actual allocation to each class will be no more than 15% above or below the target weighting for the fixed-income asset class and no more than 10% above or below the target weighting for each equities asset class.

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 \$1.7 billion as of December 31, 2022, from \$2.0 billion 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 F units lost 10.9%, which underperformed the 10.4% decline in the benchmark. The broad-based index 1 fell 11.7% and the broad-based index 2 fell 5.8%. The Fund's return is after the deduction of fees and 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.

In January 2022, interest rates were near record lows and monetary stimulus was unprecedented, helping to lift U.S. stocks to record levels as much of the Western world tried to move on from the pandemic. But Russia's invasion of Ukraine in February helped propel rapidly rising inflation to its highest level in four decades. The response to inflation – a rapid rise in global interest rates – led to the worst year

for a U.S. balanced portfolio since 1937 and marked the first time since at least 1872 that both U.S. stocks and U.S. bonds had double-digit declines. Meanwhile, Chinese President Xi's appointment to an unprecedented third term made him the country's most powerful political leader since the 1970s, amplifying geopolitical tensions. Toward the end of 2022, China ended strict COVID lockdowns and mass testing, risking effects that could interfere with its economy and dent global economic growth.

The Fund's overweight position in equities and underweight position in fixed income had a positive impact on performance. Canadian government bonds posted the worst returns since 1980, as central banks in North America and Europe aggressively raised short-term interest rates to fight unacceptably high inflation. In 2022, the Bank of Canada (the "BOC") and the U.S. Federal Reserve (the "Fed") increased short-term interest rates seven times featuring several jumbo-sized increases, and major central banks ended bond purchases that had helped hold down longer-term rates, and started selling bonds. By year-end, economic growth and inflation showed signs of falling, although the BOC and the Fed indicated that interest rates would remain elevated until inflation was clearly weakening back toward the 2% target. Government of Canada bonds outperformed their U.S. counterparts driven by investors' views that the BOC would stop rate hikes earlier. While bonds performed poorly across the board due to the rise in interest rates, corporate and provincial bonds faced an additional hurdle – concern about an economic slowdown – while emerging-market debt was especially hard hit by tightening monetary conditions, the Russia-Ukraine war and China's economic slowdown. The Fund's returns were held back by the Phillips, Hager & North Bond Fund and the RBC Global Bond Fund.

Surging inflation and interest rates and rising geopolitical tensions led to the worst year for the S&P 500 Index and global stocks since 2008, with many major equity indexes falling about 20%. Canada's stock benchmark declined much less given its significant exposure to oil and metal prices, which held up well against a backdrop of limited supply. By the end of 2022, inflation appeared to have eased somewhat, prompting speculation that the Fed, the BOC and other developed-market central banks might be in a position to lessen the negative impact of any slowdown with a pause or even decreases in interest rates sometime in 2023. The Fund's performance was negatively affected by the RBC Global Equity Focus Fund and the RBC QUBE Global Equity Fund.

Recent Developments

Economic headwinds resulting largely from tighter monetary policy and reduced fiscal stimulus are creating uncertainty, and there is a wide range of potential outcomes for the economy and financial markets. That said, the 2022 bear market in both fixed income and equities has



meaningfully improved return expectations across all asset classes. The portfolio manager notes that bonds, at today's higher yields, offer more of a cushion in a balanced portfolio should the economy enter a downturn.

The portfolio manager believes that a cautious approach to risk taking remains appropriate in this environment, and the asset mix is positioned with a small overweight in stocks and slight underweight in fixed income given a view that stocks offer superior return potential over the longer term. The portfolio manager last altered the asset mix in 2022's fourth quarter by adding 1 percentage point to the fixed-income allocation, sourced equally from stocks and cash.

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.

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	Total	
Series F												
Dec. 31, 2022	24.63	0.82	(0.12)	0.17	(3.55)	(2.68)	(0.15)	(0.22)	(0.43)	(0.02)	(0.82)	21.13
Dec. 31, 2021	23.48	0.48	(0.14)	2.00	0.49	2.83	(0.12)	(0.14)	(1.43)	(0.01)	(1.70)	24.63
Dec. 31, 2020	21.39	0.52	(0.12)	1.14	0.27	1.81	(0.17)	(0.17)	(0.50)	—	(0.84)	23.48
Dec. 31, 2019	18.94	0.51	(0.12)	0.54	2.03	2.96	(0.13)	(0.17)	(0.18)	—	(0.48)	21.39
Dec. 31, 2018	20.54	0.56	(0.12)	0.66	(1.61)	(0.51)	(0.17)	(0.25)	(0.54)	—	(0.96)	18.94
Series O												
Dec. 31, 2022	24.12	0.80	—	0.17	(3.47)	(2.50)	(0.20)	(0.28)	(0.43)	(0.03)	(0.94)	20.68
Dec. 31, 2021	23.08	0.47	—	1.95	0.54	2.96	(0.22)	(0.25)	(1.41)	(0.02)	(1.90)	24.12
Dec. 31, 2020	21.11	0.53	—	1.17	1.28	2.98	(0.27)	(0.28)	(0.50)	—	(1.05)	23.08
Dec. 31, 2019	18.78	0.51	—	0.53	1.90	2.94	(0.22)	(0.29)	(0.18)	—	(0.69)	21.11
Dec. 31, 2018	20.38	0.55	—	0.65	(1.71)	(0.51)	(0.22)	(0.32)	(0.54)	—	(1.08)	18.78

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 F							
Dec. 31, 2022	21.13	38 994	1 846	0.58	0.58	12.04	0.03
Dec. 31, 2021	24.63	43 749	1 776	0.58	0.58	22.97	0.04
Dec. 31, 2020	23.48	46 944	2 000	0.60	0.60	22.81	0.04
Dec. 31, 2019	21.39	190 932	8 928	0.60	0.60	30.92	0.04
Dec. 31, 2018	18.94	186 183	9 831	0.60	0.60	10.63	0.04
Series O							
Dec. 31, 2022	20.68	1 638 628	79 232	0.04	0.04	12.04	0.03
Dec. 31, 2021	24.12	1 931 498	80 084	0.04	0.04	22.97	0.04
Dec. 31, 2020	23.08	1 487 807	64 463	0.04	0.04	22.81	0.04
Dec. 31, 2019	21.11	1 319 869	62 512	0.04	0.04	30.92	0.04
Dec. 31, 2018	18.78	1 031 577	54 920	0.04	0.04	10.63	0.04

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 F	0.50%	–	100%	0.01%
Series O	n/a	n/a	n/a	0.01%

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.

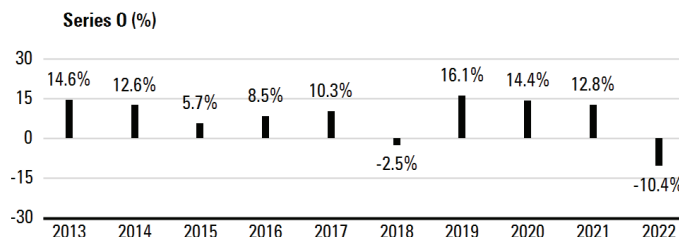
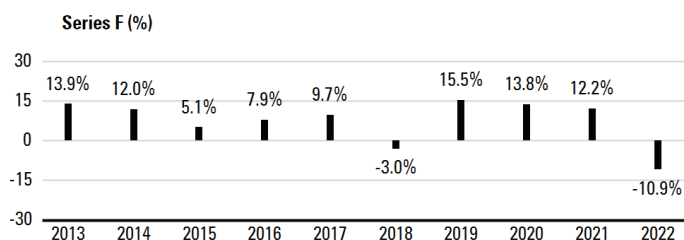
* Includes all costs related to management, investment advisory services, general administration and profit.

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.



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 benchmarks:

The benchmark is composed of:

- 36% FTSE Canada Universe Bond Index
- 36% MSCI World Total Return Net Index (CAD)
- 20% S&P/TSX Capped Composite Total Return Index
- 4% MSCI Emerging Markets Total Return Net Index (CAD)
- 3% Canada CPI + 400 bps
- 1% FTSE Canada 30 Day TBill Index

The following are the broad-based indexes:

Broad-based index 1 – FTSE Canada Universe Bond Index

Broad-based index 2 – S&P/TSX Capped Composite Total Return Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series F	-10.9	4.4	5.0	7.3	–
Benchmark	-10.4	3.2	4.5	6.9	–
Broad-based index 1	-11.7	-2.2	0.3	1.6	–
Broad-based index 2	-5.8	7.5	6.8	7.7	–
Series O	-10.4	5.0	5.5	7.9	–
Benchmark	-10.4	3.2	4.5	6.9	–
Broad-based index 1	-11.7	-2.2	0.3	1.6	–
Broad-based index 2	-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.

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

INDEX DESCRIPTIONS

FTSE Canada Universe Bond Index This index is designed as a broad measure of the Canadian investment-grade fixed-income market and includes bonds with maturities of at least one year.

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.

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.



PAST PERFORMANCE (cont.)

MSCI Emerging Markets Total Return Net Index (CAD) This index is a broad measure of the Canadian dollar performance of emerging-market equities. As of May 2010, the index consisted of the following 21 emerging-market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. 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.

Canada CPI + 400 bps This index is designed to function as the benchmark for an investment whose return can exceed the rate of inflation by 4 percentage points over time.

FTSE Canada 30 Day TBill Index This index is a measure of the performance of Canadian short-term cash investments.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2022

Investment Mix

	% of Net Asset Value
Global Equity Funds	36.9
Fixed Income Funds	34.1
Canadian Equity Funds	20.2
Real Estate Funds	4.3
International Equity Funds	3.7
Cash/Other	0.8

Top 25 Holdings*

	% of Net Asset Value
Phillips, Hager & North Bond Fund - Series O	26.3
RBC Global Equity Focus Fund - Series O	17.7
RBC QUBE Global Equity Fund - Series O	14.8
Phillips, Hager & North Canadian Equity Underlying Fund - Series O	13.1
RBC Global Bond Fund - Series O	7.3
Phillips, Hager & North Canadian Equity Value Fund - Series O	5.0
RBC Global Equity Leaders Fund - Series O	4.3
RBC Canadian Core Real Estate Fund - Series N	4.3
RBC Emerging Markets Equity Fund - Series O	3.7
Phillips, Hager & North Small Float Fund - Series O	2.1
Phillips, Hager & North Canadian Money Market Fund - Series O	0.6
Phillips, Hager & North High Yield Bond Fund - Series O	0.5
Cash & Cash Equivalents	0.3
Total	100.0

* The Fund holds fewer than 25 holdings.

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.