



FIXED-INCOME FUND

**PHILLIPS, HAGER & NORTH
TOTAL RETURN BOND FUND**

June 30, 2023

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

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 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 interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or 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.sedarplus.ca. 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 stability of capital by investing primarily in a well-diversified portfolio of fixed-income securities issued primarily by Canadian governments and corporations. It also invests in derivatives. Through a mix of interest income and capital appreciation, the Fund aims to provide a competitive rate of return while controlling the interest rate and credit risks to which it is exposed. To achieve the Fund's investment objective, the portfolio manager invests primarily in medium- to high-quality corporate bonds and government bonds of Canadian, U.S. and other foreign issuers. The Fund may also invest in asset-backed commercial paper to enhance its return (the Fund's weighting in high-yield bonds is generally restricted to a maximum of 20% of its total assets). The average term to maturity of the portfolio is managed within strict guidelines, and typically falls between seven and 12 years.

Results of Operations

The Fund's net asset value was \$10.6 billion as of June 30, 2023.

Over the past six months, the Fund's Series F units gained 2.6%. The Fund's return is after the deduction of expenses. 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 bonds rebounded in the first half of 2023, reversing some of the losses incurred in 2021 and 2022, on expectations that the Bank of Canada (the "BOC") would decrease the speed at which it raised interest rates amid a pullback in economic growth. The BOC raised short-term interest rates twice during the period to 4.75% as part of its continuing effort to slow the economy and reduce inflation from elevated levels. Interest rates were much more attractive than they were a year ago after the most significant increase in policy rates in four decades.

The portfolio manager was active in adjusting the Fund's sensitivity to changes in interest rates, helping to insulate the portfolio during periods of heightened volatility. Additionally, the portfolio manager continued to favour high-quality areas of the corporate-bond market. Areas of focus included infrastructure and power generation, regulated industries that tend to have stable and predictable cash flows, and these bonds contributed to performance as the Fund benefited from an increase in bond prices. The higher income earned from the Fund's modest high-yield bond allocation also contributed to performance.

Portfolio turnover is normally high for the Fund, as the portfolio manager attempts to generate better returns through active security selection and optimal term exposure.

Recent Developments

In light of the uncertain economic backdrop, the portfolio manager remains cautious as the risk of a recession remains high. The portfolio manager therefore continues to favour higher-quality, more-liquid assets that position the Fund to withstand any market weakness and stands ready to take advantage of attractive investment opportunities as they arise.

As a result of the significant increase in bond yields due to central-bank policy-rate increases over the past 18 months, the yield for the Fund has increased significantly, which should be a helpful tailwind for long-term returns.

Effective January 1, 2023, Suromitra Sanatani was appointed as Chair of the Independent Review Committee ("the IRC"). Effective February 1, 2023, Joanne Vézina was appointed as a member of the IRC. Effective March 1, 2023, Enrique Cuyegkeng 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 six months (noted by June 30, 2023), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and 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 | | | | | | | | | | | | |
| June 30, 2023 | 10.08 | 0.20 | (0.05) | (0.14) | 0.22 | 0.23 | (0.16) | – | – | – | (0.16) | 10.15 |
| Dec. 31, 2022 | 11.73 | 0.35 | (0.11) | (0.59) | (1.15) | (1.50) | (0.24) | – | – | – | (0.24) | 10.08 |
| Dec. 31, 2021 | 12.31 | 0.32 | (0.12) | (0.01) | (0.60) | (0.41) | (0.19) | – | (0.01) | – | (0.20) | 11.73 |
| Dec. 31, 2020 | 11.55 | 0.35 | (0.13) | 0.36 | 0.14 | 0.72 | (0.23) | – | (0.13) | – | (0.36) | 12.31 |
| Dec. 31, 2019 | 11.13 | 0.35 | (0.12) | 0.11 | 0.31 | 0.65 | (0.23) | – | – | – | (0.23) | 11.55 |
| Dec. 31, 2018 | 11.30 | 0.34 | (0.12) | (0.13) | (0.06) | 0.03 | (0.22) | – | – | – | (0.22) | 11.13 |
| Series D | | | | | | | | | | | | |
| June 30, 2023 | 10.08 | 0.20 | (0.03) | (0.14) | 0.23 | 0.26 | (0.18) | – | – | – | (0.18) | 10.15 |
| Dec. 31, 2022 | 11.73 | 0.35 | (0.06) | (0.59) | (1.20) | (1.50) | (0.29) | – | – | – | (0.29) | 10.08 |
| Dec. 31, 2021 | 12.31 | 0.32 | (0.07) | (0.01) | (0.59) | (0.35) | (0.25) | – | (0.01) | – | (0.26) | 11.73 |
| Dec. 31, 2020 | 11.55 | 0.35 | (0.07) | 0.36 | 0.53 | 1.17 | (0.29) | – | (0.13) | – | (0.42) | 12.31 |
| Dec. 31, 2019 | 11.13 | 0.35 | (0.07) | 0.11 | 0.30 | 0.69 | (0.28) | – | – | – | (0.28) | 11.55 |
| Dec. 31, 2018 | 11.31 | 0.34 | (0.07) | (0.13) | (0.05) | 0.09 | (0.27) | – | – | – | (0.27) | 11.13 |
| Series F | | | | | | | | | | | | |
| June 30, 2023 | 10.09 | 0.20 | (0.03) | (0.14) | 0.21 | 0.24 | (0.18) | – | – | – | (0.18) | 10.17 |
| Dec. 31, 2022 | 11.74 | 0.35 | (0.05) | (0.59) | (1.09) | (1.38) | (0.29) | – | – | – | (0.29) | 10.09 |
| Dec. 31, 2021 | 12.32 | 0.32 | (0.06) | (0.01) | (0.57) | (0.32) | (0.26) | – | (0.01) | – | (0.27) | 11.74 |
| Dec. 31, 2020 | 11.56 | 0.35 | (0.06) | 0.36 | 0.42 | 1.07 | (0.30) | – | (0.13) | – | (0.43) | 12.32 |
| Dec. 31, 2019 | 11.15 | 0.36 | (0.06) | 0.11 | 0.29 | 0.70 | (0.29) | – | – | – | (0.29) | 11.56 |
| Dec. 31, 2018 | 11.32 | 0.34 | (0.06) | (0.13) | (0.06) | 0.09 | (0.28) | – | – | – | (0.28) | 11.15 |
| Series O | | | | | | | | | | | | |
| June 30, 2023 | 10.02 | 0.20 | – | (0.14) | 0.22 | 0.28 | (0.21) | – | – | – | (0.21) | 10.10 |
| Dec. 31, 2022 | 11.66 | 0.35 | – | (0.58) | (1.07) | (1.30) | (0.34) | – | – | – | (0.34) | 10.02 |
| Dec. 31, 2021 | 12.24 | 0.32 | – | (0.01) | (0.53) | (0.22) | (0.31) | – | (0.01) | – | (0.32) | 11.66 |
| Dec. 31, 2020 | 11.49 | 0.35 | – | 0.36 | 0.53 | 1.24 | (0.36) | – | (0.13) | – | (0.49) | 12.24 |
| Dec. 31, 2019 | 11.07 | 0.35 | – | 0.11 | 0.27 | 0.73 | (0.35) | – | – | – | (0.35) | 11.49 |
| Dec. 31, 2018 | 11.25 | 0.34 | – | (0.13) | (0.04) | 0.17 | (0.34) | – | – | – | (0.34) | 11.07 |

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 | | | | | | | |
| June 30, 2023 | 10.15 | 177 039 | 17 435 | 1.06 | 1.06 | 135.62 | — |
| Dec. 31, 2022 | 10.08 | 178 986 | 17 762 | 1.05 | 1.05 | 140.07 | — |
| Dec. 31, 2021 | 11.73 | 254 305 | 21 689 | 1.05 | 1.05 | 80.75 | — |
| Dec. 31, 2020 | 12.31 | 301 187 | 24 474 | 1.05 | 1.05 | 130.32 | — |
| Dec. 31, 2019 | 11.55 | 119 854 | 10 381 | 1.05 | 1.05 | 102.43 | — |
| Dec. 31, 2018 | 11.13 | 124 054 | 11 147 | 1.05 | 1.05 | 141.40 | — |
| Series D | | | | | | | |
| June 30, 2023 | 10.15 | 368 858 | 36 324 | 0.58 | 0.58 | 135.62 | — |
| Dec. 31, 2022 | 10.08 | 371 045 | 36 819 | 0.58 | 0.58 | 140.07 | — |
| Dec. 31, 2021 | 11.73 | 541 879 | 46 212 | 0.58 | 0.58 | 80.75 | — |
| Dec. 31, 2020 | 12.31 | 616 450 | 50 088 | 0.58 | 0.58 | 130.32 | — |
| Dec. 31, 2019 | 11.55 | 567 028 | 49 101 | 0.58 | 0.58 | 102.43 | — |
| Dec. 31, 2018 | 11.13 | 528 637 | 47 484 | 0.58 | 0.58 | 141.40 | — |
| Series F | | | | | | | |
| June 30, 2023 | 10.17 | 1 425 290 | 140 198 | 0.50 | 0.50 | 135.62 | — |
| Dec. 31, 2022 | 10.09 | 1 218 778 | 120 801 | 0.50 | 0.50 | 140.07 | — |
| Dec. 31, 2021 | 11.74 | 1 394 748 | 118 801 | 0.50 | 0.50 | 80.75 | — |
| Dec. 31, 2020 | 12.32 | 1 427 986 | 115 893 | 0.50 | 0.50 | 130.32 | — |
| Dec. 31, 2019 | 11.56 | 839 128 | 72 567 | 0.50 | 0.50 | 102.43 | — |
| Dec. 31, 2018 | 11.15 | 819 298 | 73 501 | 0.50 | 0.50 | 141.40 | — |
| Series O | | | | | | | |
| June 30, 2023 | 10.10 | 8 638 529 | 855 538 | 0.02 | 0.02 | 135.62 | — |
| Dec. 31, 2022 | 10.02 | 8 087 261 | 807 008 | 0.02 | 0.02 | 140.07 | — |
| Dec. 31, 2021 | 11.66 | 9 393 174 | 805 456 | 0.02 | 0.02 | 80.75 | — |
| Dec. 31, 2020 | 12.24 | 8 855 054 | 723 547 | 0.02 | 0.02 | 130.32 | — |
| Dec. 31, 2019 | 11.49 | 8 408 274 | 732 064 | 0.02 | 0.02 | 102.43 | — |
| Dec. 31, 2018 | 11.07 | 6 846 559 | 618 289 | 0.02 | 0.02 | 141.40 | — |

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.

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 | 0.90% | 56% | 44% | 0.05% |
| Series D | 0.50% | 30% | 70% | 0.04% |
| Series F | 0.40% | — | 100% | 0.05% |
| 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.

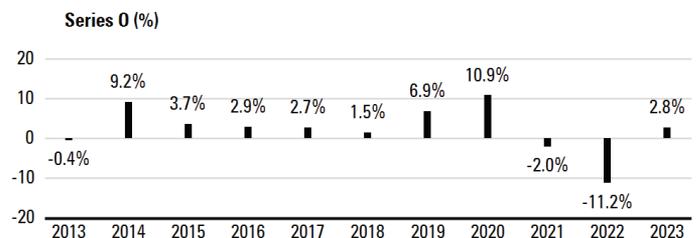
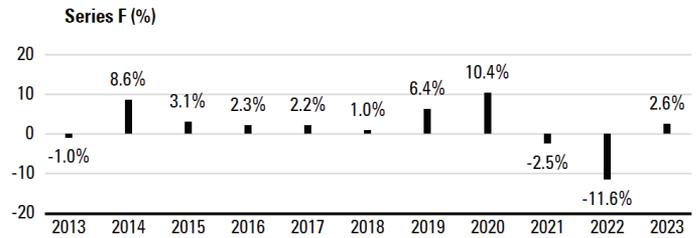
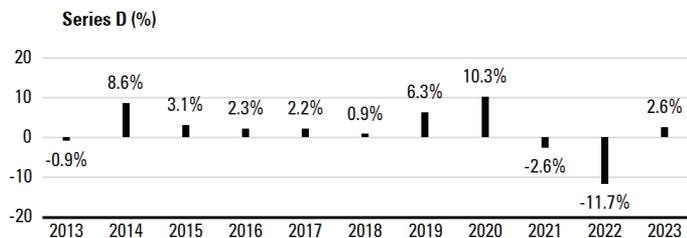
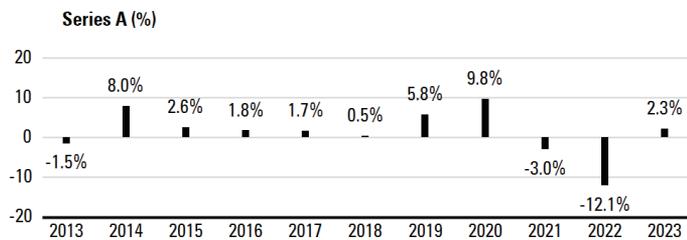


PAST PERFORMANCE

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 or interim period.



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

Advisor Series units were re-designated as Series A units effective August 4, 2020.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2023.



SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2023

Investment Mix

| | % of Net Asset Value |
|----------------------------|----------------------|
| Provincial/Municipal Bonds | 34.0 |
| Corporate Bonds | 26.9 |
| Federal Bonds | 23.5 |
| United States Bonds | 3.3 |
| Underlying Funds | 3.3 |
| International Bonds | 2.1 |
| Mortgages | 0.1 |
| Cash/Other | 6.8 |

Top 25 Holdings

| | % of Net Asset Value |
|---|----------------------|
| Cash & Cash Equivalents | 6.2 |
| Canadian Government Bond 3.500% Aug 01, 2025 | 5.1 |
| Province of Quebec 3.600% Sep 01, 2033 | 4.3 |
| Canadian Government Bond 1.750% Dec 01, 2053 | 3.1 |
| Province of Ontario 3.650% Jun 02, 2033 | 3.0 |
| Phillips, Hager & North High Yield Bond Fund - Series O | 3.0 |
| Canadian Government Bond 2.750% Jun 01, 2033 | 2.8 |
| Province of Quebec 4.400% Dec 01, 2055 | 2.8 |
| Canadian Government Bond 0.500% Sep 01, 2025 | 2.6 |
| Canadian Government Bond 3.500% Mar 01, 2028 | 2.5 |
| Canadian Government Bond 1.500% Dec 01, 2031 | 1.9 |
| Province of Ontario 3.500% Jun 02, 2043 | 1.8 |
| Province of Ontario 4.600% Jun 02, 2039 | 1.6 |
| Province of Ontario 5.600% Jun 02, 2035 | 1.6 |
| Canadian Government Bond 3.250% Sep 01, 2028 | 1.4 |
| Province of Ontario 3.750% Dec 02, 2053 | 1.2 |
| Province of Alberta 3.100% Jun 01, 2050 | 1.1 |
| Province of Ontario 2.600% Jun 02, 2027 | 1.1 |
| Province of Quebec 6.250% Jun 01, 2032 | 0.9 |
| Verizon Communications Inc. 2.375% Mar 22, 2028 | 0.9 |
| Bank of America Corp. 3.615% Mar 16, 2028 | 0.8 |
| United States Treasury Note 4.000% Nov 15, 2052 | 0.8 |
| Province of Manitoba 2.850% Sep 05, 2046 | 0.8 |
| Province of Ontario 6.200% Jun 02, 2031 | 0.8 |
| Bruce Power LP 3.969% Jun 23, 2026 | 0.7 |
| Top 25 Holdings | 52.8 |

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.sedarplus.ca.