



INTERNATIONAL EQUITY FUND

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

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June 30, 2021

**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, 2021.

**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.

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*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/en/ca](http://www.rbcgam.com/en/ca) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*

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



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The Fund seeks to provide investors with long-term capital growth primarily through exposure to a diversified portfolio of companies located in countries outside North America, including countries in Europe, as well as Japan, Australia and the rest of the Far East, while minimizing fluctuations in the value of foreign currencies relative to the Canadian dollar. To achieve the Fund's investment objective, the portfolio manager invests primarily in units of the Phillips, Hager & North Overseas Equity Fund (the "underlying fund"), as well as derivative instruments that are used to hedge against fluctuations in the value of foreign currencies relative to the Canadian dollar.

### Results of Operations

The Fund's net asset value was \$209 million as of June 30, 2021.

Over the past six months, the Fund's Series O units gained 8.7%. 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.

Global equities extended their gains during the first half of 2021, with companies that had been most hurt by the pandemic taking over as the leading performers on optimism that vaccination programs and fiscal stimulus would lead to a strong economic recovery.

Traditional energy stocks were notably strong as they benefited from higher oil prices, while producers of renewable energy underperformed. Companies with high levels of debt and weak profit margins also climbed as economic optimism rebounded. This "reopening trade" held back portfolio returns, especially during the first half of 2021, because of its focus on identifying sustainable businesses that are more likely to reward investors over the longer term. Investments held in the Fund tend to be more robust and therefore less likely than weak businesses to bounce as strongly when "hope" returns in a market recovery.

Among individual holdings, Deutsche Post was the top contributor to the Fund's relative returns, followed by St. James's Place PLC and Partners Group Holding. Ørsted held back performance the most, followed by Nidec and Neste Oyj.

### Recent Developments

The power of the reopening trade has dissipated as a more normal business environment takes hold, allowing investors to refocus on business measures that tend to be the strongest determinants of long-term share-price performance. The economic recovery should ultimately lead to a scaling back in monetary and fiscal stimulus, and investors' attention appears to be turning toward how these shifts are

achieved. The sub-advisor is cognizant that any such steps have the potential to create financial-market volatility if not well communicated by policymakers and therefore continues to focus on portfolio construction to minimize risks.

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

### Related-Party Transactions

#### *Manager and Portfolio Manager*

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

#### *Distributors*

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

#### *Registrars*

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



***Trustee and Custodian***

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

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

***Securities Lending Agent***

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

***Other Related-Party Transactions***

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

***Inter-Fund Trading***

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2021), 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 <sup>1</sup>					Annual Distributions <sup>2</sup>				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		
<b>Series A</b>												
<b>June 30, 2021</b>	<b>14.77</b>	–	<b>(0.16)</b>	<b>0.90</b>	<b>0.36</b>	<b>1.10</b>	–	–	–	–	–	<b>15.88</b>
Dec. 31, 2020	12.91	0.17	(0.26)	0.07	2.53	2.51	–	–	–	–	–	14.77
Dec. 31, 2019	10.08	0.32	(0.25)	0.81	2.04	2.92	–	(0.05)	–	–	(0.05)	12.91
Dec. 31, 2018	11.69	0.24	(0.24)	0.40	(2.08)	(1.68)	–	(0.03)	–	–	(0.03)	10.08
Dec. 31, 2017	9.38	0.23	(0.22)	0.54	1.75	2.30	–	–	–	–	–	11.69
Dec. 31, 2016	9.73	0.25	(0.20)	0.53	(0.95)	(0.37)	–	(0.06)	–	–	(0.06)	9.38
<b>Series D</b>												
<b>June 30, 2021</b>	<b>14.50</b>	–	<b>(0.09)</b>	<b>0.89</b>	<b>0.34</b>	<b>1.14</b>	–	–	–	–	–	<b>15.66</b>
Dec. 31, 2020	12.57	0.16	(0.15)	0.06	1.81	1.88	–	–	–	–	–	14.50
Dec. 31, 2019	9.81	0.32	(0.14)	0.79	1.95	2.92	–	(0.16)	–	–	(0.16)	12.57
Dec. 31, 2018	11.38	0.23	(0.14)	0.39	(1.80)	(1.32)	–	(0.12)	–	–	(0.12)	9.81
Dec. 31, 2017	9.13	0.23	(0.13)	0.53	1.70	2.33	–	(0.09)	–	–	(0.09)	11.38
Dec. 31, 2016	9.46	0.25	(0.12)	0.52	(0.66)	(0.01)	–	(0.14)	–	–	(0.14)	9.13
<b>Series F</b>												
<b>June 30, 2021</b>	<b>14.65</b>	–	<b>(0.07)</b>	<b>0.89</b>	<b>0.38</b>	<b>1.20</b>	–	–	–	–	–	<b>15.85</b>
Dec. 31, 2020	12.70	0.16	(0.12)	0.06	(1.68)	(1.58)	–	(0.04)	–	–	(0.04)	14.65
Dec. 31, 2019	9.91	0.32	(0.11)	0.79	1.35	2.35	–	(0.20)	–	–	(0.20)	12.70
Dec. 31, 2018	11.49	0.24	(0.11)	0.40	(2.77)	(2.24)	–	(0.14)	–	–	(0.14)	9.91
Dec. 31, 2017	9.22	0.23	(0.11)	0.54	1.64	2.30	–	(0.11)	–	–	(0.11)	11.49
Dec. 31, 2016	9.55	0.25	(0.10)	0.52	(0.75)	(0.08)	–	(0.16)	–	–	(0.16)	9.22
<b>Series O</b>												
<b>June 30, 2021</b>	<b>14.68</b>	–	–	<b>0.90</b>	<b>0.38</b>	<b>1.28</b>	–	–	–	–	–	<b>15.95</b>
Dec. 31, 2020	12.72	0.17	–	0.07	1.73	1.97	(0.01)	(0.17)	–	–	(0.18)	14.68
Dec. 31, 2019	9.93	0.32	–	0.80	2.00	3.12	–	(0.32)	–	–	(0.32)	12.72
Dec. 31, 2018	11.53	0.24	–	0.40	(1.86)	(1.22)	–	(0.25)	–	–	(0.25)	9.93
Dec. 31, 2017	9.26	0.23	(0.01)	0.54	1.74	2.50	–	(0.23)	–	–	(0.23)	11.53
Dec. 31, 2016	9.59	0.25	(0.01)	0.53	(0.87)	(0.10)	–	(0.25)	–	–	(0.25)	9.26

<sup>1</sup> 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.

<sup>2</sup> 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 (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Portfolio Turnover Rate (%) <sup>2</sup>	Trading Expense Ratio (%) <sup>3</sup>
<b>Series A</b>							
<b>June 30, 2021</b>	<b>15.88</b>	<b>2 602</b>	<b>164</b>	<b>2.14</b>	<b>2.14</b>	<b>9.63</b>	<b>0.05</b>
Dec. 31, 2020	14.77	2 491	169	2.15	2.15	3.16	0.09
Dec. 31, 2019	12.91	1 236	96	2.15	2.15	22.57	0.04
Dec. 31, 2018	10.08	1 025	102	2.13	2.13	7.68	0.10
Dec. 31, 2017	11.69	818	70	2.20	2.20	7.99	0.21
Dec. 31, 2016	9.38	570	61	2.28	2.28	18.67	0.18
<b>Series D</b>							
<b>June 30, 2021</b>	<b>15.66</b>	<b>13 184</b>	<b>842</b>	<b>1.27</b>	<b>1.27</b>	<b>9.63</b>	<b>0.05</b>
Dec. 31, 2020	14.50	12 424	857	1.27	1.27	3.16	0.09
Dec. 31, 2019	12.57	11 010	876	1.27	1.27	22.57	0.04
Dec. 31, 2018	9.81	8 974	915	1.25	1.25	7.68	0.10
Dec. 31, 2017	11.38	14 618	1 285	1.30	1.30	7.99	0.21
Dec. 31, 2016	9.13	13 610	1 490	1.37	1.37	18.67	0.18
<b>Series F</b>							
<b>June 30, 2021</b>	<b>15.85</b>	<b>30 456</b>	<b>1 922</b>	<b>0.98</b>	<b>0.98</b>	<b>9.63</b>	<b>0.05</b>
Dec. 31, 2020	14.65	25 988	1 774	1.00	1.00	3.16	0.09
Dec. 31, 2019	12.70	44 114	3 475	0.99	0.99	22.57	0.04
Dec. 31, 2018	9.91	20 272	2 046	1.03	1.03	7.68	0.10
Dec. 31, 2017	11.49	9 589	835	1.10	1.10	7.99	0.21
Dec. 31, 2016	9.22	2 956	321	1.16	1.16	18.67	0.18
<b>Series O</b>							
<b>June 30, 2021</b>	<b>15.95</b>	<b>162 662</b>	<b>10 196</b>	<b>0.04</b>	<b>0.04</b>	<b>9.63</b>	<b>0.05</b>
Dec. 31, 2020	14.68	152 275	10 372	0.04	0.04	3.16	0.09
Dec. 31, 2019	12.72	151 056	11 872	0.04	0.04	22.57	0.04
Dec. 31, 2018	9.93	121 589	12 245	0.04	0.04	7.68	0.10
Dec. 31, 2017	11.53	165 173	14 326	0.19	0.19	7.99	0.21
Dec. 31, 2016	9.26	146 277	15 799	0.24	0.24	18.67	0.18

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

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

Effective June 30, 2016, the management fees for Series A units were reduced to 1.75% from 1.85%; for Series D units were reduced to 1.00% from 1.10%; and for Series F units were reduced to 0.75% from 0.85%. If the changes to the management fees would have been in effect throughout the financial year ended December 31, 2016, the adjusted MER for each series of the Fund would be: Series A – 2.22%, Series D – 1.32% and Series F – 1.11%.



**FINANCIAL HIGHLIGHTS (cont.)**

**Management Fees and Administration Fees**

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

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

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

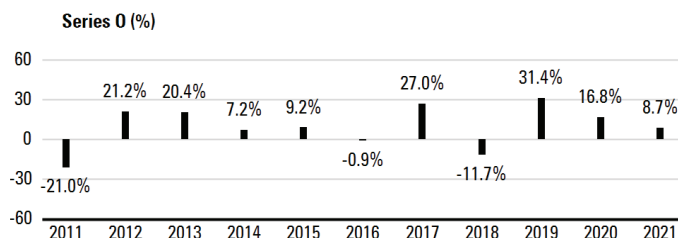
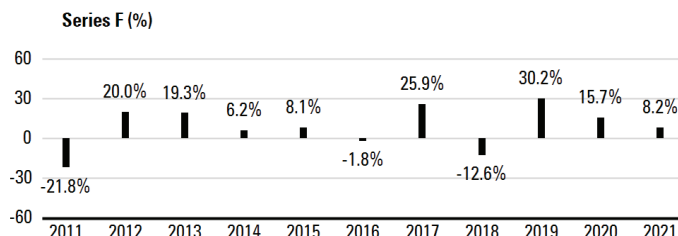
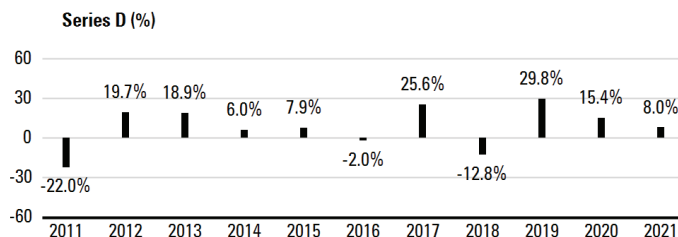
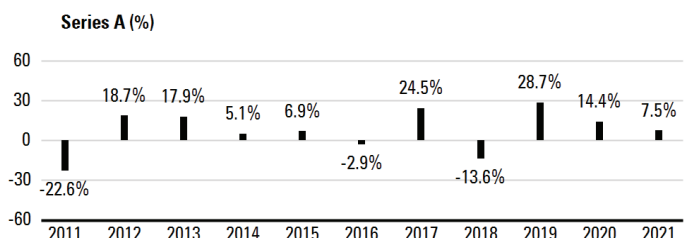
\* Includes all costs related to management, investment advisory services, general administration and profit.

**PAST PERFORMANCE**

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

**Year-by-Year Returns (%)**

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.



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

Advisor Series units were capped effective June 26, 2020, and 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, 2021.



## SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at June 30, 2021

### Investment Mix – Sectors

	% of Net Asset Value
Financials	22.7
Industrials	17.2
Consumer Discretionary	16.9
Consumer Staples	10.9
Health Care	9.6
Materials	6.4
Information Technology	5.8
Energy	4.8
Utilities	3.7
Cash/Other	2.0

### Investment Mix – Countries/Regions

	% of Net Asset Value
Europe ex-United Kingdom Equities	44.0
Pacific Rim ex-Japan Equities	22.1
United Kingdom Equities	15.5
Japan Equities	13.7
Middle East and Africa Equities	2.7
Cash/Other	2.0

### Top 25 Holdings\*

	% of Net Asset Value
Deutsche Post AG	7.4
Roche Holdings AG Genussscheine	6.6
AIA Group Ltd.	5.7
Inditex S.A.	5.6
Anheuser-Busch InBev S.A./N.V.	5.3
Nidec Corp.	4.6
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	3.7
Orsted A/S	3.7
InterContinental Hotels Group Plc.	3.6
St James's Place Plc.	3.5
Astellas Pharma Inc.	3.1
DBS Group Holdings Ltd.	3.0
Neste OYJ	2.8
Naspers Ltd.	2.7
Croda International Plc.	2.6
Partners Group Holding AG	2.6
Rio Tinto Plc.	2.3
Oriental Land Co. Ltd.	2.3
Erste Bank Der Oesterreichischen Sparkassen AG	2.3
Kerry Group Plc.	2.2
Adyen N.V.	2.0
Equinor ASA	2.0
MISUMI Group Inc.	1.9
Recruit Holdings Co. Ltd.	1.9
Legal & General Group Plc.	1.9
<b>Top 25 Holdings</b>	<b>85.3</b>

\* The Fund invests substantially all of its assets directly in the Phillips, Hager & North Overseas Equity Fund. The above are the Top 25 holdings of the Phillips, Hager & North Overseas Equity Fund.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at [www.rbcgam.com/en/ca](http://www.rbcgam.com/en/ca).

The Simplified Prospectus and other information about the underlying funds are available on SEDAR website at [www.sedar.com](http://www.sedar.com).