

GLOBAL EQUITY FUND

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

June 30, 2016

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

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

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 10, 2016.

**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/reports](http://www.rbcgam.com/reports) 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 by investing primarily in common stocks of companies in the world's largest industrialized countries outside Canada, including the United States and countries in Europe, as well as Japan, Australia and the rest of the Far East. The portfolio manager's intention is that the securities of companies that conduct themselves in a socially responsible manner will be included in the portfolio. To achieve the Fund's investment objective, the portfolio manager invests primarily in companies that they believe have sound fundamentals, a strong market position, a history of profitability, a capable management team, and attractive valuations.

**Results of Operations**

The Fund's net asset value was \$124 million as of June 30, 2016.

Over the past six months, the Fund's Series O units lost 5.6%. 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.

Early in the period, market returns were dominated by concerns about China and its ability to manage its capital markets. This was combined with the continuation of rapidly falling oil prices, which reached a low in mid-February. The rapid turnaround in commodity and equity prices that followed was largely the result of central banks around the globe responding with a combination of asset purchases and interest-rate cuts, which in the case of Japan took official interest rates negative – much to the market's surprise. An indiscriminate rally followed in February until the end of the first quarter.

Towards the end of the period, the market focus was squarely on the U.K.'s referendum regarding its membership in the EU ("Brexit"), which caused considerable volatility in asset prices at the very end of the period. The Fund was not positioned specifically for either outcome but rather continued to focus on a diversified collection of global equities.

The Fund benefited from individual positions in the Information Technology and Consumer Discretionary sectors, offset by holdings in the Financials, Consumer Staples and Telecommunication Services sectors.

**Recent Developments**

Although concerns over Brexit dominated the period, the sub-advisor is mindful that there are many more issues to think about. Much of the world is struggling with negative interest rates and low growth in both GDP and wages. Geopolitical concerns are still very apparent and will possibly be exacerbated by Brexit. As always, the sub-advisor

looks to build a portfolio of companies with strong fundamentals that are leaders in their fields and which are well positioned to weather near-term turbulence and deliver strong risk-adjusted returns over the long term.

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

**Related-Party Transactions*****Manager and Portfolio Manager***

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

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

***Sub-Advisor***

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

***Distributors***

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

***Trustee and Custodian***

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

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

***Registrars***

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

***Brokerage***

The Fund has established standard brokerage agreements at market rates with related-party dealers. These related-party commissions were \$12,000 (2015 – \$14,000), or 11% (2015 – 21%) of the total transaction costs paid for this Fund.

***Other Related-Party Transactions***

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

***Related-Party Trading Activities***

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

***Inter-Fund Trading***

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

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES  
GLOBAL EQUITY FUND**
**FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2016), 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. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the Phillips, Hager & North Funds Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

**Change in Net Assets Per Unit (\$)**

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <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	Total		
Series A													
June 30, 2016	13.70	0.19	(0.13)	0.34	(1.25)	(0.85)	—	—	—	—	—	12.80	
Dec. 31, 2015	11.52	0.24	(0.27)	0.91	1.65	2.53	—	—	(0.33)	—	(0.33)	13.70	
Dec. 31, 2014	11.10	0.26	(0.25)	2.59	(1.03)	1.57	—	(0.02)	(1.13)	—	(1.15)	11.52	
Dec. 31, 2013	8.43	0.21	(0.20)	0.98	1.70	2.69	—	(0.01)	—	—	(0.01)	11.10	
Dec. 31, 2012	7.61	0.20	(0.17)	(0.19)	0.97	0.81	—	(0.03)	—	—	(0.03)	8.43	
Dec. 31, 2011	8.66	0.24	(0.16)	(0.26)	(0.76)	(0.94)	—	(0.08)	—	—	(0.08)	7.61	
Advisor Series													
June 30, 2016	13.70	0.19	(0.13)	0.34	(1.25)	(0.85)	—	—	—	—	—	12.81	
Dec. 31, 2015	11.53	0.24	(0.27)	0.91	1.65	2.53	—	—	(0.33)	—	(0.33)	13.70	
Dec. 31, 2014	11.10	0.26	(0.25)	2.58	(1.03)	1.56	—	(0.02)	(1.13)	—	(1.15)	11.53	
Dec. 31, 2013	8.43	0.21	(0.21)	0.98	1.70	2.68	—	(0.01)	—	—	(0.01)	11.10	
Dec. 31, 2012	7.61	0.20	(0.17)	(0.19)	0.97	0.81	—	(0.03)	—	—	(0.03)	8.43	
Dec. 31, 2011	8.66	0.24	(0.16)	(0.26)	(0.76)	(0.94)	—	(0.08)	—	—	(0.08)	7.61	
Series D													
June 30, 2016	13.63	0.19	(0.08)	0.34	(1.25)	(0.80)	—	—	—	—	—	12.79	
Dec. 31, 2015	11.43	0.24	(0.16)	0.91	1.64	2.63	—	(0.08)	(0.33)	—	(0.41)	13.63	
Dec. 31, 2014	11.03	0.26	(0.15)	2.58	(1.02)	1.67	—	(0.12)	(1.13)	—	(1.25)	11.43	
Dec. 31, 2013	8.38	0.20	(0.12)	0.97	1.68	2.73	—	(0.11)	—	—	(0.11)	11.03	
Dec. 31, 2012	7.56	0.20	(0.10)	(0.19)	0.97	0.88	—	(0.10)	—	—	(0.10)	8.38	
Dec. 31, 2011	8.60	0.24	(0.10)	(0.26)	(0.76)	(0.88)	—	(0.14)	—	—	(0.14)	7.56	
Series F													
June 30, 2016	13.62	0.19	(0.06)	0.34	(1.25)	(0.78)	—	—	—	—	—	12.80	
Dec. 31, 2015	11.43	0.24	(0.13)	0.91	1.64	2.66	—	(0.11)	(0.32)	—	(0.43)	13.62	
Dec. 31, 2014	11.02	0.26	(0.12)	2.58	(1.02)	1.70	—	(0.15)	(1.13)	—	(1.28)	11.43	
Dec. 31, 2013	8.37	0.21	(0.10)	0.99	1.71	2.81	—	(0.13)	—	—	(0.13)	11.02	
Dec. 31, 2012	7.55	0.20	(0.08)	(0.19)	0.96	0.89	—	(0.12)	—	—	(0.12)	8.37	
Dec. 31, 2011	8.59	0.23	(0.08)	(0.26)	(0.74)	(0.85)	—	(0.16)	—	—	(0.16)	7.55	
Series O													
June 30, 2016	13.87	0.19	(0.01)	0.34	(1.27)	(0.75)	—	—	—	—	—	13.09	
Dec. 31, 2015	11.64	0.24	(0.02)	0.93	1.68	2.83	—	(0.23)	(0.34)	—	(0.57)	13.87	
Dec. 31, 2014	11.20	0.26	(0.02)	2.63	(1.05)	1.82	—	(0.26)	(1.13)	—	(1.39)	11.64	
Dec. 31, 2013	8.51	0.21	(0.02)	0.99	1.72	2.90	—	(0.23)	—	—	(0.23)	11.20	
Dec. 31, 2012	7.67	0.20	(0.01)	(0.19)	0.98	0.98	—	(0.19)	—	—	(0.19)	8.51	
Dec. 31, 2011	8.74	0.24	(0.01)	(0.27)	(0.78)	(0.82)	—	(0.23)	—	—	(0.23)	7.67	

<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.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES  
GLOBAL EQUITY FUND**
**FINANCIAL HIGHLIGHTS (cont.)**
**Ratios and Supplemental Data**

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <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, 2016</b>	<b>12.80</b>	<b>3 167</b>	<b>247</b>	<b>2.08</b>	<b>2.08</b>	<b>40.82</b>	<b>0.18</b>
Dec. 31, 2015	13.70	3 528	258	2.08	2.08	35.36	0.15
Dec. 31, 2014	11.52	1 914	166	2.08	2.08	213.55	0.29
Dec. 31, 2013	11.10	1 320	119	2.12	2.12	57.54	0.20
Dec. 31, 2012	8.44	522	62	2.10	2.10	89.40	0.26
Dec. 31, 2011	7.61	378	50	2.11	2.11	95.36	0.18
<b>Advisor Series</b>							
<b>June 30, 2016</b>	<b>12.81</b>	<b>4 045</b>	<b>316</b>	<b>2.07</b>	<b>2.07</b>	<b>40.82</b>	<b>0.18</b>
Dec. 31, 2015	13.70	3 010	220	2.07	2.07	35.36	0.15
Dec. 31, 2014	11.53	1 259	109	2.09	2.09	213.55	0.29
Dec. 31, 2013	11.10	697	63	2.12	2.12	57.54	0.20
Dec. 31, 2012	8.44	149	18	2.10	2.10	89.40	0.26
Dec. 31, 2011	7.61	67	9	2.11	2.11	95.36	0.18
<b>Series D</b>							
<b>June 30, 2016</b>	<b>12.79</b>	<b>12 629</b>	<b>987</b>	<b>1.25</b>	<b>1.25</b>	<b>40.82</b>	<b>0.18</b>
Dec. 31, 2015	13.63	13 458	987	1.24	1.24	35.36	0.15
Dec. 31, 2014	11.43	8 053	704	1.24	1.24	213.55	0.29
Dec. 31, 2013	11.03	6 801	617	1.25	1.25	57.54	0.20
Dec. 31, 2012	8.38	5 844	697	1.28	1.28	89.40	0.26
Dec. 31, 2011	7.56	5 655	748	1.28	1.28	95.36	0.18
<b>Series F</b>							
<b>June 30, 2016</b>	<b>12.80</b>	<b>3 130</b>	<b>245</b>	<b>0.98</b>	<b>0.98</b>	<b>40.82</b>	<b>0.18</b>
Dec. 31, 2015	13.62	1 900	139	1.00	1.00	35.36	0.15
Dec. 31, 2014	11.43	754	66	0.98	0.98	213.55	0.29
Dec. 31, 2013	11.02	308	28	1.03	1.03	57.54	0.20
Dec. 31, 2012	8.37	91	11	1.02	1.02	89.40	0.26
Dec. 31, 2011	7.55	40	5	1.01	1.01	95.36	0.18
<b>Series O</b>							
<b>June 30, 2016</b>	<b>13.09</b>	<b>101 275</b>	<b>7 738</b>	<b>0.17</b>	<b>0.17</b>	<b>40.82</b>	<b>0.18</b>
Dec. 31, 2015	13.87	101 222	7 297	0.17	0.17	35.36	0.15
Dec. 31, 2014	11.64	91 808	7 886	0.17	0.17	213.55	0.29
Dec. 31, 2013	11.20	78 624	7 018	0.16	0.16	57.54	0.20
Dec. 31, 2012	8.51	73 186	8 598	0.17	0.17	89.40	0.26
Dec. 31, 2011	7.68	57 418	7 478	0.18	0.18	95.36	0.18

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

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

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES  
GLOBAL EQUITY FUND**
**FINANCIAL HIGHLIGHTS (cont.)**
**Management Fees**

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

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.75%	57%	43%
Advisor Series	1.75%	57%	43%
Series D	1.00%	25%	75%
Series F	0.75%	—	100%

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

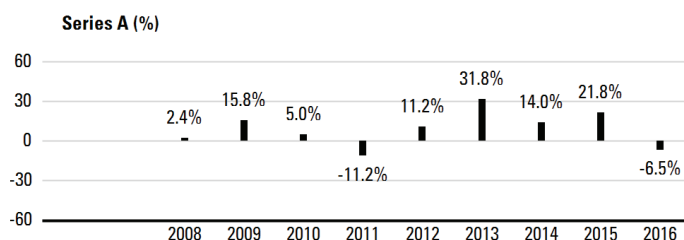
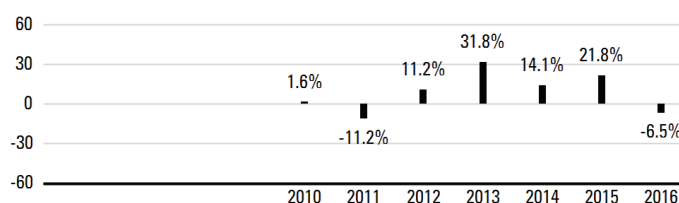
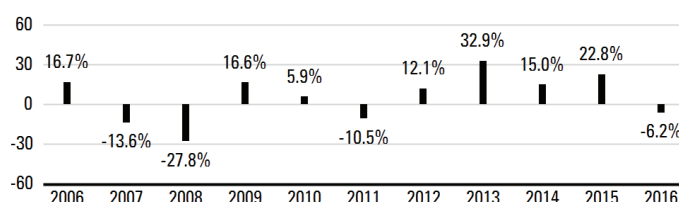
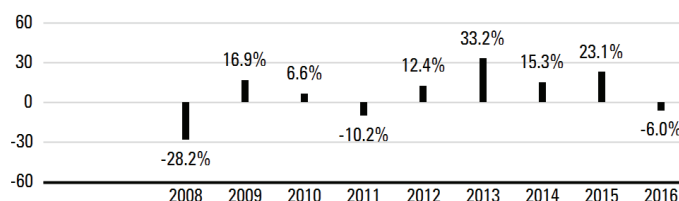
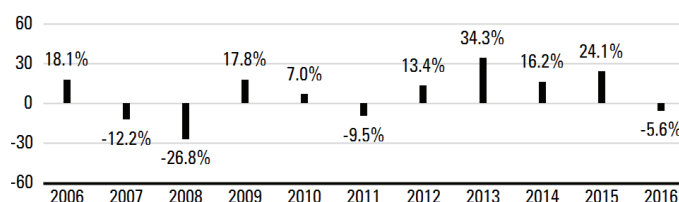
\* Includes all costs related to management, investment advisory services, general administration and profit.

**PAST PERFORMANCE**

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

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

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


**Advisor Series (%)**

**Series D (%)**

**Series F (%)**

**Series O (%)**


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

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

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

For the 12-month periods ended December 31 and the six-month period ended June 30, 2016.

**PHILLIPS, HAGER & NORTH COMMUNITY VALUES  
GLOBAL EQUITY FUND**
**SUMMARY OF INVESTMENT PORTFOLIO**
*(after consideration of derivative products, if any)*
*As at June 30, 2016*
**Investment Mix – Sectors**

	% of Net Asset Value
Health Care	18.5
Information Technology	16.2
Financials	15.4
Industrials	14.6
Consumer Discretionary	12.4
Energy	7.0
Materials	6.1
Consumer Staples	4.3
Utilities	3.2
Telecommunication Services	1.1
Cash/Other	1.2

**Investment Mix – Countries/Regions**

	% of Net Asset Value
United States Equities	60.1
Europe ex-United Kingdom Equities	15.4
United Kingdom Equities	7.7
Japan Equities	6.7
Pacific Rim ex-Japan Equities	5.1
Middle East & Africa Equities	3.8
Cash/Other	1.2

**Top 25 Holdings**

	% of Net Asset Value
Intuit Inc.	4.6
UnitedHealth Group Incorporated	4.4
International Flavors & Fragrances Inc.	4.3
Danaher Corp.	4.3
First Republic Bank	4.2
TJX Companies Inc.	4.1
Deutsche Post AG	3.9
EOG Resources Inc.	3.9
Naspers Ltd.	3.8
Estée Lauder Companies Inc., Class A	3.7
Roche Holdings AG Genusscheine	3.6
Safran S.A.	3.6
Alphabet Inc., Class A	3.4
Novo Nordisk A/S	3.4
Amgen Inc.	3.4
Cognizant Technology Solutions Corp., Class A	3.4
ITC Holdings Corp.	3.2
Blackstone Group LP	3.2
InterContinental Hotels Group Plc.	2.9
AIA Group Ltd.	2.6
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	2.5
Gartner Inc.	2.4
Astellas Pharma Inc.	2.2
Ecolab Inc.	1.8
St James's Place Plc.	1.7
Top 25 Holdings	84.5

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