CANADIAN EQUITY FUND

PHILLIPS, HAGER & NORTH CONSERVATIVE EQUITY INCOME FUND

December 31, 2023

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 7, 2024.

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.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 a high and sustainable level of income by investing primarily in common shares of dividend-paying Canadian companies. To achieve the Fund's investment objective, the portfolio manager invests in companies that they believe have a superior management team, a leadership position in their industry, a high level of profitability compared to their peers, and the potential for strong earnings and dividend growth.

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 was $2.3 billion as of December 31, 2023, unchanged from the end of 2022.

Over the past year, the Fund's Series F units gained 11.0%, which outperformed the 7.0% rise in the benchmark. 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.

Canadian equities rose in 2023 but underperformed most major markets given Canada's concentrated exposure to stocks in the Financials and Energy sectors and a relatively low number of high-flying technology companies. Most of the index gains came in the latter half of 2023 as investors grew more optimistic that two years of uncomfortably high inflation had been brought under control.

In this environment, speculation arose that the Bank of Canada (the "BOC") would begin to roll back interest rates in a bid to rejuvenate an economy weakened by soaring mortgage rates and high consumer-debt levels. Inflation, however, remained at 3.1% near year-end, above the 2% target, and the BOC's benchmark interest rate stood at 5%. Weaker growth, both domestic and global, led Canada's banks to increase their reserves for loan losses and kept energy prices in check.

The Fund's exposure to SNC-Lavalin Group, Alimentation Couche-Tard and BCE had the most positive impact on the Fund's relative returns, while exposure to Saputo, Nutrien and Cameco was negative for performance.

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

The Fund had overweight positions in Brookfield Infrastructure Partners, Rogers Communications and Keyera and underweight positions in BCE, National Bank of Canada and Pembina Pipeline.

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

Recent Developments

While a recession was avoided in 2023, the economy may slow over the next year, in the view of the portfolio manager, limiting equity gains in the near term. The portfolio manager believes, however, that economic growth and earnings should rebound at some point in 2024 as long as declines in interest rates and inflation are sustained.

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.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. For the periods ended December 31, 2023 and 2022, the related-party commissions were $4,000 (2022 – $95,000) or 0% (2022 – 11%) 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, debt securities or mortgages from or sales of equity, debt securities or mortgages to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

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

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

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

Change in Net Assets Per Unit ($)

		Increase (Decrease) from Operations[1]					Annual Distributions[2]					
For the Year/ Period Ended	Net Assets Beginning of Year/Period	Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	Net Assets End of Year/Period
Series A												
Dec. 31, 2023[3]	**10.00†**	**–**	**(0.19)**	**–**	**2.66**	**2.47**	**–**	**(0.17)**	**(0.46)**	**–**	**(0.63)**	**9.77**
Series F												
Dec. 31, 2023	**11.10**	**0.41**	**(0.09)**	**0.86**	**0.07**	**1.25**	**–**	**(0.33)**	**(0.54)**	**–**	**(0.87)**	**11.42**
Dec. 31, 2022	12.10	0.40	(0.09)	1.18	(1.56)	(0.07)	–	(0.33)	(0.67)	–	(1.00)	11.10
Dec. 31, 2021	9.93	0.37	(0.09)	0.73	1.94	2.95	(0.01)	(0.27)	(0.52)	–	(0.80)	12.10
Dec. 31, 2020	10.22	0.36	(0.07)	(0.04)	(0.60)	(0.35)	(0.01)	(0.28)	–	–	(0.29)	9.93
Dec. 31, 2019	8.68	0.33	(0.07)	0.06	1.22	1.54	–	(0.26)	–	–	(0.26)	10.22
Series O												
Dec. 31, 2023	**14.22**	**0.54**	**(0.01)**	**1.11**	**0.09**	**1.73**	**–**	**(0.52)**	**(0.69)**	**–**	**(1.21)**	**14.63**
Dec. 31, 2022	15.51	0.51	(0.01)	1.50	(1.78)	0.22	–	(0.53)	(0.86)	–	(1.39)	14.22
Dec. 31, 2021	12.76	0.48	(0.01)	0.93	2.57	3.97	(0.01)	(0.45)	(0.71)	–	(1.17)	15.51
Dec. 31, 2020	13.12	0.46	(0.01)	(0.05)	(0.20)	0.20	(0.01)	(0.44)	–	–	(0.45)	12.76
Dec. 31, 2019	11.14	0.42	(0.01)	0.08	1.96	2.45	(0.01)	(0.41)	–	–	(0.42)	13.12

[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.
[3] From February 27, 2023.
† Initial offering net asset value per unit.

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							
Dec. 31, 2023[4]	**9.77**	**38**	**4**	**1.92**	**1.92**	**34.13**	**0.05**
Series F							
Dec. 31, 2023	**11.42**	**7 628**	**668**	**0.78**	**0.78**	**34.13**	**0.05**
Dec. 31, 2022	11.10	9 572	862	0.77	0.77	18.27	0.03
Dec. 31, 2021	12.10	6 638	549	0.78	0.78	24.48	0.04
Dec. 31, 2020	9.93	3 920	395	0.78	0.78	39.50	0.06
Dec. 31, 2019	10.22	3 823	374	0.74	0.74	26.88	0.05

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data (cont.)

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 O							
Dec. 31, 2023	**14.63**	**2 283 242**	**156 057**	**0.06**	**0.06**	**34.13**	**0.05**
Dec. 31, 2022	14.22	2 247 185	158 012	0.06	0.06	18.27	0.03
Dec. 31, 2021	15.51	2 820 822	181 904	0.06	0.06	24.48	0.04
Dec. 31, 2020	12.76	2 362 338	185 195	0.06	0.06	39.50	0.06
Dec. 31, 2019	13.12	2 389 687	182 077	0.06	0.06	26.88	0.05

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

2 The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

3 The trading expense ratio represents total commissions and other portfolio transaction costs of the Fund and the Fund's proportionate share of such costs of underlying funds expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

4 From February 27, 2023.

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	1.60%	63%	37%	0.10%
Series F	0.60%	–	100%	0.10%
Series O	n/a	n/a	n/a	0.05%

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.

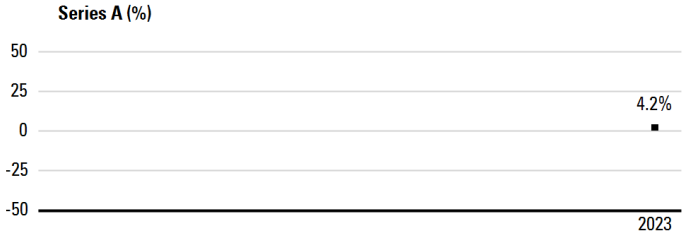
PHILLIPS, HAGER & NORTH CONSERVATIVE EQUITY INCOME FUND

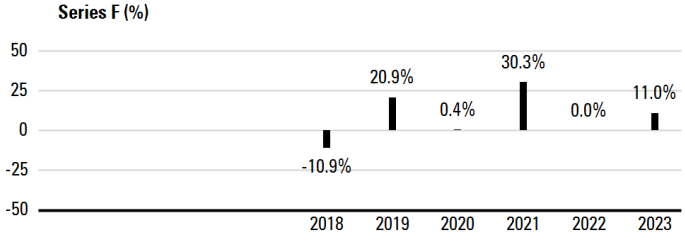
PAST PERFORMANCE

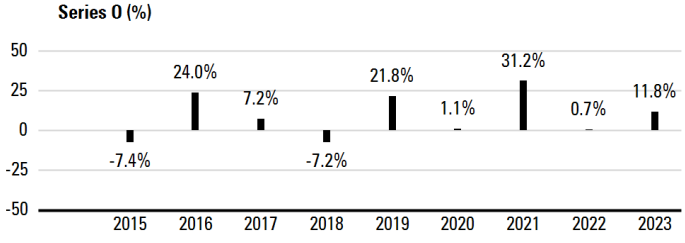
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional 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, 2023, compared with the following benchmarks:

The new benchmark is the S&P/TSX Composite High Dividend Index.

The old benchmark is the S&P/TSX Capped Composite Total Return Index.

The change in benchmark better reflects the composition of the Fund.

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series A	–	–	–	–	4.2
New benchmark	–	–	–	–	2.0
Old benchmark	–	–	–	–	6.8
Series F	11.0	13.0	11.9	–	8.7
New benchmark	7.0	13.6	11.3	–	8.0
Old benchmark	11.8	9.6	11.3	–	8.1
Series O	11.8	13.9	12.7	–	9.0
New benchmark	7.0	13.6	11.3	–	7.1
Old benchmark	11.8	9.6	11.3	–	7.2

The returns of each series may vary because of differences in management fees and expenses. Benchmark and/or broad-based index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to benchmark and/or broad-based indexes.

Series A units have been available for sale to unitholders since February 27, 2023, and Series F units since August 20, 2018. Although Series O units of the Fund were created in April 2012, units were not offered for sale under a simplified prospectus until June 2015.

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

INDEX DESCRIPTIONS

S&P/TSX Composite High Dividend Index The index is focused on Canadian equities offering attractive dividend income. The index is made up of 50 to 75 stocks selected from the S&P/TSX Composite Index, Canada's principal equity benchmark.

S&P/TSX Capped Composite Total Return Index This index is the amended capitalization-weighted index measuring the performance of selected securities listed on the Toronto Stock Exchange, with no individual stock exceeding 10% of the overall weight.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)
As at December 31, 2023

Investment Mix

	% of Net Asset Value
Financials	34.1
Industrials	18.1
Energy	15.6
Utilities	6.7
Communication Services	6.4
Consumer Staples	4.8
Real Estate	4.7
Information Technology	4.3
Consumer Discretionary	3.2
Materials	0.9
Cash/Other	1.2

Top 25 Holdings

	% of Net Asset Value
Enbridge Inc.	5.6
Toronto-Dominion Bank	5.5
Royal Bank of Canada	5.5
Canadian National Railway Co.	4.9
Canadian Pacific Kansas City Ltd.	4.7
Bank of Montreal	4.0
Brookfield Corp.	3.9
Constellation Software Inc.	3.8
Alimentation Couche-Tard Inc.	3.5
Rogers Communications Inc.	3.2
Bank of Nova Scotia	3.2
Waste Connections Inc.	2.8
Canadian Imperial Bank of Commerce	2.6
Manulife Financial Corp.	2.5
Brookfield Infrastructure Partners LP	2.3
WSP Global Inc.	2.2
TELUS Corp.	2.2
Canadian Natural Resources Ltd.	2.0
Sun Life Financial Inc.	2.0
Colliers International Group Inc.	1.7
TC Energy Corp.	1.7
Dollarama Inc.	1.6
Emera Inc.	1.6
Restaurant Brands International Inc.	1.6
First Capital Real Estate Investment Trust	1.6
Top 25 Holdings	76.2

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.