



Global Asset
Management

Annual Financial Statements RBC QUBE Market Neutral World Equity Fund (CAD Hedged) 2015 to 2023

Ces états financiers annuels du Fonds d'actions mondiales neutre au marché QUBE RBC (CAD – Couvert) depuis sa création en 2015 sont fournis conformément à une dispense que RBC Gestion mondiale d'actifs Inc. a obtenue le 22 mai 2024. Les investisseurs peuvent obtenir sur demande des copies de ces états financiers annuels.

Veillez noter que ces documents sont disponibles en anglais seulement.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the funds (the "Funds") whose financial statements accompany this letter and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

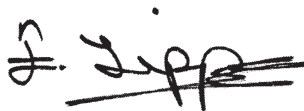
Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



Damon G. Williams, FSA, FCIA, CFA

Chief Executive Officer
RBC Global Asset Management Inc.

March 4, 2016



Frank Lippa, CPA, CA

Chief Financial Officer and Chief Operating Officer
RBC Global Asset Management Inc.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of:

Phillips, Hager & North Institutional S.T.I.F.
Phillips, Hager & North Mortgage Pension Trust
Phillips, Hager & North High Grade
Corporate Bond Fund
Phillips, Hager & North Investment Grade
Corporate Bond Trust
Phillips, Hager & North PRisM – Short
Phillips, Hager & North Enhanced Total
Return Bond Fund
Phillips, Hager & North Corporate Bond Trust
Phillips, Hager & North Core Plus Bond Fund
Phillips, Hager & North Long Investment Grade
Corporate Bond Trust
Phillips, Hager & North Long Corporate
Bond Trust
Phillips, Hager & North Long Mortgage
Pension Trust
Phillips, Hager & North High Yield Mortgage Fund

Phillips, Hager & North Infrastructure Debt Fund
Phillips, Hager & North Long Bond Pension Trust
Phillips, Hager & North Enhanced Long Bond
Pension Trust
Phillips, Hager & North Long Core Plus Bond Fund
Phillips, Hager & North Foreign Bond Fund
Phillips, Hager & North Extended Duration
Long Bond Pension Trust
Phillips, Hager & North PRisM – Mid
Phillips, Hager & North PRisM – Long
Phillips, Hager & North 20+ Strip Fund
Phillips, Hager & North Custom Interest
Rate Overlay Fund
Phillips, Hager & North Custom Interest
Rate Completion Fund
Phillips, Hager & North BlueBay
Emerging Market Debt Fund (CAD Hedged)

Phillips, Hager & North BlueBay
Emerging Market Debt Fund
Phillips, Hager & North PRisM Balanced Fund
Phillips, Hager & North Enhanced Long
Government Bond Fund
Phillips, Hager & North Enhanced PRisM Long Fund
Phillips, Hager & North Absolute Return Fund
RBC QUBE 120/20 Canadian Equity Fund
RBC QUBE Market Neutral Canadian Equity Fund
Phillips, Hager & North Institutional Gold &
Precious Metals Fund
Phillips, Hager & North U.S. Pooled Pension Fund
RBC QUBE Market Neutral U.S. Equity Fund
RBC QUBE Market Neutral World Equity Fund
(CAD Hedged)
RBC QUBE Market Neutral World Equity Fund
(collectively referred to as the “Funds”)

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2015 and December 31, 2014, and the statements of comprehensive income, statements of cash flow and statements of changes in net assets attributable to holders of redeemable units for the years or periods (since establishment of the Funds) then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (“IFRS”), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards (“GAAS”). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2015 and December 31, 2014, and their financial performance, their cash flows and changes in their net assets for the years or periods (since establishment of the Funds) then ended in accordance with IFRS.



Chartered Professional Accountants, Licensed Public Accountants

March 4, 2016

Toronto, Ontario



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2015

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
678 688	RBC QUBE Market Neutral World Equity Fund*	\$ 8 755	\$ 9 000	
TOTAL INVESTMENTS		8 755	9 000	96.0
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	15	0.2
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	(449)	(4.8)
TOTAL PORTFOLIO		\$ 8 755	8 566	91.4
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			809	8.6
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			\$ 9 375	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought USD 3 384 Sold CAD 4 685 @ 1.3845	06-Jan-16	\$ 15
		<u>\$ 15</u>
Contracts	Maturity Date	Unrealized Loss
Bought CAD 4 685 Sold USD 3 540 @ 1.3234	06-Jan-16	\$ (232)
Bought CAD 4 500 Sold USD 3 385 @ 1.3295	03-Feb-16	(201)
Bought CAD 4 685 Sold USD 3 385 @ 1.3842	03-Mar-16	(16)
		<u>\$ (449)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (434)</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 6 in the generic notes).



Statement of Financial Position

(in \$000s except per unit amounts)

	December 31 2015
(see note 2 in the generic notes)	
ASSETS	
Investments at fair value	\$ 9 000
Cash	4
Unrealized gain on foreign exchange contracts	15
Dividends receivable, interest accrued and other assets	805
TOTAL ASSETS	9 824
LIABILITIES	
Unrealized loss on foreign exchange contracts	449
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	449
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 9 375
Investments at cost	\$ 8 755
NAV	
SERIES I – MAR15	\$ –
SERIES O	\$ 9 375
NAV PER UNIT	
SERIES I – MAR15	\$ 9.99
SERIES O	\$ 10.00

Statement of Comprehensive Income

(in \$000s except per unit amounts)

For the period ended December 31 (see note 2 in the generic notes)	2015
INCOME (see note 3 in the generic notes)	
Other income received from underlying funds	\$ 805
Net realized gain (loss) on investments	6
Net gain (loss) on foreign currencies and other net assets	(248)
Change in unrealized gain (loss) on investments	246
Change in unrealized gain (loss) in value of forward contracts	(434)
TOTAL INCOME (LOSS)	375
EXPENSES (see notes – Fund Specific Information)	
Administration fees	1
TOTAL EXPENSES	1
INCREASE (DECREASE) IN NAV	\$ 374
INCREASE (DECREASE) IN NAV	
SERIES I – MAR15	\$ –
SERIES O	\$ 374
INCREASE (DECREASE) IN NAV PER REDEEMABLE UNIT	
SERIES I – MAR15	\$ –
SERIES O	\$ 0.42



Statement of Cash Flow *(in \$000s)*

For the period ended December 31
(see note 2 in the generic notes)

2015

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in NAV \$ 374

ADJUSTMENTS TO RECONCILE NET CASH

PROVIDED BY (USED IN) OPERATIONS

Net realized loss (gain) on investments (6)

Change in unrealized loss (gain) on investments 188

(Increase) decrease in accrued receivables (805)

Increase (decrease) in accrued payables –

Cost of investments purchased (9 012)

Proceeds on sales of investments 264

NET CASH PROVIDED BY (USED IN)

OPERATING ACTIVITIES (8 997)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of redeemable units 9 001

Cash paid on redemption of redeemable units –

Distributions paid to holders of redeemable units –

NET CASH PROVIDED BY (USED IN)

FINANCING ACTIVITIES \$ 9 001

Net increase (decrease) in cash for the period 4

Cash (bank overdraft), beginning of period –

CASH (BANK OVERDRAFT), END OF PERIOD \$ 4

Interest received (paid) \$ –

Dividends received, net of withholding taxes \$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.



Statement of Changes in NAV *(in \$000s)*

For the period ended December 31 (see note 2 in the generic notes)	Series I – Mar15 2015	Series O 2015	Total 2015
NAV AT BEGINNING OF PERIOD	\$ –	\$ –	\$ –
INCREASE (DECREASE) IN NAV	–	374	374
Early redemption fees	–	–	–
Proceeds from redeemable units issued	–	9 001	9 001
Reinvestments of distributions to holders of redeemable units	–	374	374
Redemption of redeemable units	–	–	–
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	–	9 375	9 375
Distributions from net income	–	(374)	(374)
Distributions from net gains	–	–	–
Distributions from capital	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	(374)	(374)
NET INCREASE (DECREASE) IN NAV	–	9 375	9 375
NAV AT END OF PERIOD	\$ –	\$ 9 375	\$ 9 375



December 31, 2015

General information (see note 1 in the generic notes)

The Fund seeks to provide consistent absolute returns that are substantially independent of the performance of the global equity market by investing primarily in units of the RBC QUBE Market Neutral World Equity Fund, while seeking to minimize exposure to currency fluctuations between the U.S. and Canadian dollars through the use of derivatives.

The Fund was started in February 2015.

Financial instrument risk and capital management (see note 4 in the generic notes)

The Fund invests primarily in other mutual funds. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Concentration risk (%)

The table below summarizes the Fund's investment portfolio (after consideration of derivative products, if any) as at:

	December 31 2015
Investment mix	
Hong Kong Equities	2.8
Netherlands Equities	2.7
Bermuda Equities	2.4
Japan Equities	2.3
Brazil Equities	1.4
Germany Equities	1.3
Australia Equities	1.0
Singapore Equities	1.0
Austria Equities	0.8
Czech Republic Equities	0.4
Denmark Equities	0.4
Belgium Equities	0.3
Colombia Equities	0.3
Italy Equities	0.3
Hungary Equities	0.2
Indonesia Equities	0.2
Norway Equities	0.1
Luxembourg Equities	0.1
Poland Equities	0.1
South Africa Equities	–
Canada Equities	–
China Equities	(0.1)
Sweden Equities	(0.2)
United Kingdom Equities	(0.5)
Mexico Equities	(0.6)
Cayman Islands Equities	(1.2)
Switzerland Equities	(2.1)
United States Equities	(2.1)
France Equities	(3.2)
Spain Equities	(3.4)
Ireland Equities	(4.5)
Cash/Other	99.8
Total	100.0

Please see the generic notes at the back of the financial statements.

Currency risk (% of net assets)

Since the currency risk of the underlying fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2015.

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities – long	–	–	–	–
Equities – short	–	–	–	–
Mutual fund units	–	9 000	–	9 000
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	15	–	15
Derivatives – liabilities	–	(449)	–	(449)
Total financial instruments	–	8 566	–	8 566
% of total portfolio	–	100.0	–	100.0

For the period ended December 31, 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees (see note 6 in the generic notes)

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

Management fees of the other 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.

Series I	1.00%
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Performance fees

No performance fees are payable on Series O units. Series I performance fees are payable to RBC GAM and calculated at the annual rate of 15%, before GST/HST, of the positive amount by which the annual return of the Series I sub-series exceeds a specified “high water mark.” More information about the calculation can be found in the Fund's Offering Memorandum.



December 31, 2015

Operating expenses (see note 6 in the generic notes)

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.

Series I	0.02%
Series O	0.02%

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2015
Units held	
Series I – Mar15	50
Series O	900 050
Value of all units	9 169

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund's interest in the underlying mutual fund as a percentage of NAV, and the Fund's ownership interest as a percentage of the net assets of the underlying fund ("Ownership"). The underlying fund is established and conducts business in Canada, and has an associate relationship to the Fund.

	December 31 2015	
	NAV	Ownership
RBC QUBE Market Neutral		
World Equity Fund	96.0	100.0

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2015.

Unitholders' equity (000s)

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the period ended December 31
(see note 2 in the generic notes) **2015**

Series I – Mar15

Opening units	–
Issued number of units	–
Reinvested number of units	–
Redeemed number of units	–
Ending number of units	–

Series O

Opening units	–
Issued number of units	900
Reinvested number of units	37
Redeemed number of units	–
Ending number of units	937

1. The Funds

The mutual funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of British Columbia and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 4, 2016.

The Funds may issue an unlimited number of units in some or all of Series A, Series I, Series N, Series O and Series P.

Series A, Series I and Series O units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series N and Series P units are only available to related mutual funds. Series O units may only be purchased, switched or redeemed through RBC GAM or in certain circumstances, Phillips, Hager & North Investment Funds Ltd.

2. Financial year/period

The information provided in these financial statements and notes thereto is for the 12-month periods ended or as at December 31, 2015 and 2014. In the year a Fund or series is established, “period” represents the period from inception to December 31 of that fiscal year.

3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), which include estimates and assumptions made by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Funds, which are investment entities, are as follows:

Fair Value Option Financial instruments are designated as fair value through profit and loss (“FVTPL”) on their initial recognition (the fair value option). Derivative financial instruments are held for trading (“HFT”) and are required to be classified as FVTPL by nature. Other non-derivative financial instruments can be designated as FVTPL if they have a reliably measurable fair value and satisfy some criteria such as (i) it eliminates or significantly reduces an accounting mismatch and (ii) it is part of a portfolio that is managed and its performance is evaluated on a fair value basis. Management’s judgment is that all non-derivative financial instruments are designated as FVTPL since all Funds satisfy

the above criteria. The Funds’ financial assets and liabilities are not offset, as there is currently no legally enforceable right to offset the recognized amounts, and the gross amounts are reported in the Statements of Financial Position. The Funds may enter into various master netting or similar agreements with counterparties.

Redeemable units are measured at their respective redemption values. All other assets and liabilities are measured at amortized cost.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm’s-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds’ financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment’s assigned level.

The three-tier hierarchy of investments and derivatives is included in “Notes to Financial Statements – Fund Specific Information.”

Investments are recorded at fair value, which is determined as follows:

Equities – Common shares, preferred shares and exchange-traded funds are valued at the closing price as recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities and debentures are valued at the closing price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at a principal amount, which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at fair value, which is approximated at cost plus accrued interest.

Options – Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

The premium received for written options is recorded as a credit in the Schedule of Investment Portfolio and adjusted daily to the fair value of the written option.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on bond forward contracts is included in “Other Derivatives” in the Statements of Comprehensive Income. Realized gain (loss) on foreign exchange contracts is included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Net gain (loss) from futures contracts” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Interest Rate Swap Contracts – Interest rate swap contracts are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as “Interest” in the Statements of Comprehensive Income. Payments received or paid when the

Fund enters into the contract are recorded as an asset or liability in the Statements of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as “Interest” in the Statements of Comprehensive Income. Payments received or paid upon early termination are recorded as “Interest” in the Statements of Comprehensive Income.

Interest rate swap contracts are valued based upon quotations from independent sources. The change in value is included in unrealized appreciation (depreciation) in value of investments in the Statements of Comprehensive Income.

Credit Default Swap Contracts – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees paid or received are recorded as “Interest” in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

Mutual Fund Unit Valuation – Units of Funds are valued at their respective net asset value per unit from fund companies on the relevant valuation dates.

Fair Valuation of Investments (including unlisted securities) – If the valuation methods described above are not appropriate, RBC GAM will estimate the fair value of an investment using established fair valuation procedures, such as consideration of public information, broker quotes, valuation models, fundamental analysis, matrix pricing, discounts from market prices of similar securities or discounts applied due to restrictions on the disposition of securities, and external fair value service providers.

Procedures are in place to determine the fair value of foreign securities traded in countries outside North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. This fair valuation process takes into account the last quoted price of the security and adjusts the price based on inputs such as related indices, changes in foreign markets and American Depository Receipts (“ADR”) prices. These securities are classified as Level 2.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars at the rate of exchange on each valuation date.

Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses are included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. Phillips, Hager & North BlueBay Emerging Market Debt Fund, RBC QUBE Market Neutral U.S. Equity Fund and RBC QUBE Market Neutral World Equity Fund have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

Valuation of Series A different net asset value is calculated for each series of units of a Fund. The net asset value of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative net asset value of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Other income (loss)” includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components, such as income, capital gains and return of capital. “Other income received from underlying funds” includes income earned by a Fund from investments in underlying funds. Any premiums paid or

discounts received on the purchase of zero coupon bonds are amortized on a straight line basis.

Increase (Decrease) in NAV per Redeemable Unit Increase (decrease) in NAV per redeemable unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

BRL – Brazilian real	MYR – Malaysian ringgit
CAD – Canadian dollar	PEN – Peruvian nuevo sol
CLP – Chilean peso	PHP – Philippine peso
CNY – Chinese renminbi	PLN – Polish zloty
COP – Colombian peso	RON – Romanian leu
EUR – Euro	RUB – Russian ruble
HKD – Hong Kong dollar	THB – Thailand baht
HUF – Hungarian forint	TRY – Turkish new lira
IDR – Indonesian rupiah	TWD – New Taiwan dollar
INR – Indian rupee	USD – United States dollar
KRW – South Korean won	ZAR – South African rand
MXN – Mexican peso	

Comparative Figures Certain of the Funds’ prior periods’ figures have been reclassified to conform with the presentation in the current year.

4. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund’s capital, which is its net assets and consists primarily of its financial instruments.

A Fund’s investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund’s performance by employing professional, experienced portfolio managers, daily monitoring of the Fund’s holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a

governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to a Fund, is disclosed in its "Notes to Financial Statements – Fund Specific Information."

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the credit worthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category such as, geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than Canadian dollars is affected by changes in the value of the Canadian dollar or a Fund's functional currency, in relation to the value of the currency in which the investment is denominated. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investments rises. When the value of the Canadian dollar rises, the value of foreign investments falls.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

5. Taxes

The Funds qualify as mutual fund trusts, unit trusts or commercial trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax, however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 10 years, with the exception of non-capital losses realized in 2006 and later years, which may be carried forward up to 20 years.

6. Administrative and other related-party transactions

Manager, Portfolio Manager and Distributor

RBC GAM is an indirect wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager, portfolio manager and distributor of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as

compensation for its services. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The Funds pay a fixed administration fee to RBC GAM. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, *other fund costs*), and taxes (including, but not limited to, GST/HST). Other fund costs will be allocated among each series of units of a Fund in accordance with the services used. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying mutual funds”). The Fund’s ownership interest in underlying mutual funds is disclosed in the Fund Specific Information.

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

Sub-Advisors

RBC Global Asset Management (U.S.) Inc. (“RBC GAM US”), a wholly-owned subsidiary of Royal Bank, is the sub-advisor for the Phillips, Hager & North U.S. Pooled Pension Fund. BlueBay Asset Management LLP (“BlueBay”), an indirect wholly-owned subsidiary of Royal Bank, is the sub-advisor of the Phillips, Hager & North BlueBay Emerging Market Debt Fund.

Trustee

RBC Investor Services Trust (“RBC IS”) is the trustee of the Funds and holds title to the Funds’ property on behalf of unitholders.

Custodian

Unless specifically addressed in the Fund Specific Information, RBC IS is custodian of the Funds and holds the assets of the Funds.

Registrars

RBC GAM and RBC IS are the registrars for the Funds. Registrars keep records of who owns units of the Funds.

Brokerage

The Funds have established standard brokerage agreements at market rates with related-party dealers.

Other Related-Party Transactions

RBC GAM has obtained relief from applicable securities legislation to engage in the types of transactions described below on behalf of the Funds. The Funds may rely on certain of this relief from time to time.

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) 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
- (c) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The Independent Review Committee has pursuant to its mandate to review certain transactions on behalf of the Funds, approved standing instructions in respect of the Related-Party Trading Activities. These standing instructions require that Related-Party Trading Activities 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 Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds.

7. Future accounting changes

The following IFRS standard has been issued, but is not yet in effect:

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement in its entirety upon its effective date.

The new standard, which becomes effective for annual periods beginning on or after January 1, 2018, is not expected to have a significant impact on the Funds.

In December 2014, Disclosure Initiative was issued, which amends IAS 1 Presentation of Financial Statements. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying guidance on materiality, presentation and note structure. These amendments are effective for annual periods beginning on or after January 1, 2016. Funds will amend disclosures if required in the 2016 Financial Statements.

8. Comparative figures

The Statements of Cash Flow for the prior period of certain funds have been reflected to conform with the presentation in the current year.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the funds (the "Funds") whose financial statements accompany this letter and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

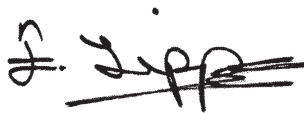
PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



Damon G. Williams, FSA, FCIA, CFA

Chief Executive Officer
RBC Global Asset Management Inc.

March 8, 2017



Frank Lippa, CPA, CA

Chief Financial Officer and Chief Operating Officer
RBC Global Asset Management Inc.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of:

Phillips, Hager & North Institutional S.T.I.F.	Phillips, Hager & North Infrastructure Debt Fund	BonaVista Private Balanced Fund
Phillips, Hager & North Mortgage Pension Trust	Phillips, Hager & North Long Bond Pension Trust	BonaVista Balanced Fund
Phillips, Hager & North High Grade Corporate Bond Fund	Phillips, Hager & North Enhanced Long Bond Pension Trust	Phillips, Hager & North Enhanced Long Government Bond Fund
Phillips, Hager & North Investment Grade Corporate Bond Trust	Phillips, Hager & North Long Core Plus Bond Fund	Phillips, Hager & North Enhanced PRiSM Long Fund
Phillips, Hager & North PRiSM – Short	Phillips, Hager & North Extended Duration Long Bond Pension Trust	Phillips, Hager & North Absolute Return Fund
Phillips, Hager & North Enhanced Total Return Bond Fund	Phillips, Hager & North PRiSM – Mid	RBC QUBE 120/20 Canadian Equity Fund
Phillips, Hager & North Corporate Bond Trust	Phillips, Hager & North PRiSM – Long	RBC QUBE Market Neutral Canadian Equity Fund
Phillips, Hager & North Enhanced Corporate Bond Trust	Phillips, Hager & North 20+ Strip Fund	BonaVista Canadian Equity Fund
Phillips, Hager & North Private Placement Corporate Debt Fund	Phillips, Hager & North Custom Interest Rate Overlay Fund	Phillips, Hager & North Institutional Gold & Precious Metals Fund
Phillips, Hager & North Core Plus Bond Fund	Phillips, Hager & North Custom Interest Rate Completion Fund	RBC Canadian Preferred Share Fund
Phillips, Hager & North Long Investment Grade Corporate Bond Trust	BlueBay Canadian Institutional Global High Yield Bond Fund	RBC QUBE Market Neutral U.S. Equity Fund
Phillips, Hager & North Long Corporate Bond Trust	Phillips, Hager & North BlueBay Emerging Market Debt Fund (CAD Hedged)	RBC Alpha Plus U.S. Equity Fund
Phillips, Hager & North Long Mortgage Pension Trust	Phillips, Hager & North BlueBay Emerging Market Debt Fund	RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
Phillips, Hager & North High Yield Mortgage Fund	Phillips, Hager & North PRiSM Balanced Fund	RBC QUBE Market Neutral World Equity Fund
		RBC Market Neutral Equity Fund
		RBC Fossil Fuel Free Global Equity Fund (collectively referred to as the “Funds”)

We have audited the accompanying financial statements of each of the Funds, which comprise the statement of financial position as at December 31, 2016 and the statements of comprehensive income, cash flows and changes in net assets attributable to holders of redeemable units for the periods indicated in note 2, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each of the Funds in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial statements of each of the Funds based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2016 and the financial performance and cash flows of each of the Funds for the periods indicated in note 2, in accordance with International Financial Reporting Standards.

Other matter

The financial statements of each of the Funds as at December 31, 2015 and for the periods indicated in note 2, as applicable, were audited by another auditor who expressed an unmodified opinion on those statements on March 4, 2016.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 8, 2017



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2016

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
3 483 699	RBC QUBE Market Neutral World Equity Fund*	\$ 43 545	\$ 44 205	
TOTAL INVESTMENTS		43 545	44 205	99.9
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	224	0.5
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	(522)	(1.2)
TOTAL PORTFOLIO		<u>\$ 43 545</u>	43 907	99.2
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			341	0.8
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>\$ 44 248</u>		100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought CAD 9 850 Sold USD 7 279 @ 1.3532	05-Apr-2017	\$ 87
Bought CAD 11 200 Sold USD 8 298 @ 1.3497	03-Mar-2017	80
Bought CAD 6 385 Sold USD 4 718 @ 1.3533	05-Apr-2017	57
		<u>\$ 224</u>

Contracts	Maturity Date	Unrealized Loss
Bought CAD 2 500 Sold USD 1 884 @ 1.3272	03-Mar-2017	\$ (24)
Bought CAD 10 300 Sold USD 7 712 @ 1.3356	03-Feb-2017	(38)
Bought CAD 10 495 Sold USD 7 859 @ 1.3355	03-Feb-2017	(39)
Bought USD 4 440 Sold CAD 6 000 @ 1.3514	03-Feb-2017	(49)
Bought USD 4 713 Sold CAD 6 385 @ 1.3549	05-Jan-2017	(66)
Bought CAD 6 385 Sold USD 4 823 @ 1.3238	05-Jan-2017	(82)
Bought USD 7 271 Sold CAD 9 851 @ 1.3548	05-Jan-2017	(100)
Bought CAD 9 850 Sold USD 7 438 @ 1.3243	05-Jan-2017	(124)
		<u>\$ (522)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (298)</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 7 in the generic notes).



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2016	December 31 2015
ASSETS		
Investments at fair value	\$ 44 205	\$ 9 000
Cash	105	4
Due from investment dealers	355	–
Unrealized gain on foreign exchange contracts	224	15
Dividends receivable, interest accrued and other assets	–	805
TOTAL ASSETS	44 889	9 824
LIABILITIES		
Unrealized loss on foreign exchange contracts	522	449
Accounts payable and accrued expenses	119	–
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	641	449
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 44 248	\$ 9 375
Investments at cost	\$ 43 545	\$ 8 755
NAV		
SERIES I – MAR15	\$ 1	\$ –
SERIES N – FEB16	\$ 33 934	\$ –
SERIES N – MAR16	\$ 756	\$ –
SERIES O	\$ 9 557	\$ 9 375
NAV PER UNIT		
SERIES I – MAR15	\$ 9.84	\$ 9.99
SERIES N – FEB16	\$ 9.94	\$ –
SERIES N – MAR16	\$ 9.76	\$ –
SERIES O	\$ 9.95	\$ 10.00

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2016	2015
INCOME (see note 3 in the generic notes)		
Other income received from underlying funds	\$ 252	\$ 805
Net realized gain (loss) on investments	(70)	6
Net gain (loss) on foreign currencies and other net assets	546	(248)
Change in unrealized gain (loss) on investments	415	246
Change in unrealized gain (loss) in value of forward contracts	136	(434)
TOTAL INCOME (LOSS)	1 279	375
EXPENSES (see notes – Fund Specific Information)		
Management fees	284	–
Performance fees	83	–
Administration fees	10	1
Independent Review Committee costs	1	–
GST/HST	36	–
Expenses reimbursed by manager	(1)	–
TOTAL EXPENSES	413	1
INCREASE (DECREASE) IN NAV	\$ 866	\$ 374
INCREASE (DECREASE) IN NAV		
SERIES I – MAR15	\$ 1	\$ –
SERIES N – FEB16	\$ 683	\$ –
SERIES N – MAR16	\$ –	\$ –
SERIES O	\$ 182	\$ 374
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES I – MAR15	\$ –	\$ –
SERIES N – FEB16	\$ 0.16	\$ –
SERIES N – MAR16	\$ –	\$ –
SERIES O	\$ 0.19	\$ 0.42



Statements of Cash Flow *(in \$000s)*

For the periods ended December 31
(see note 2 in the generic notes)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 866	\$ 374
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	–	–
Net realized loss (gain) on investments	70	(6)
Change in unrealized loss (gain) on investments	(551)	188
(Increase) decrease in accrued receivables	805	(805)
Increase (decrease) in accrued payables	119	–
Cost of investments purchased	(46 706)	(9 012)
Proceeds on sales of investments	11 491	264
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(33 906)	(8 997)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	43 556	9 001
Cash paid on redemption of redeemable units	(9 549)	–
Distributions paid to holders of redeemable units	–	–
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 34 007	\$ 9 001
Net increase (decrease) in cash for the period	101	4
Cash (bank overdraft), beginning of period	4	–
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 105	\$ 4
Interest received (paid)	\$ –	\$ –
Dividends received, net of withholding taxes	\$ –	\$ –
Dividends paid, net of withholding taxes	\$ –	\$ –

Cash consists of cash and futures contracts margin receivable/payable, as applicable.



Statements of Changes in NAV (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	Series I – Mar15		Series N – Feb16		Series N – Mar16	
	2016	2015	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
INCREASE (DECREASE) IN NAV	1	–	683	–	–	–
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	–	–	42 800	–	756	–
Reinvestments of distributions to holders of redeemable units	–	–	814	–	18	–
Redemption of redeemable units	–	–	(9 549)	–	–	–
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	–	–	34 065	–	774	–
Distributions from net income	–	–	–	–	–	–
Distributions from net gains	–	–	(814)	–	(18)	–
Distributions from capital	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	(814)	–	(18)	–
NET INCREASE (DECREASE) IN NAV	1	–	33 934	–	756	–
NAV AT END OF PERIOD	\$ 1	\$ –	\$ 33 934	\$ –	\$ 756	\$ –

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2016	2015	2016	2015
NAV AT BEGINNING OF PERIOD	\$ 9 375	\$ –	\$ 9 375	\$ –
INCREASE (DECREASE) IN NAV	182	374	866	374
Early redemption fees	–	–	–	–
Proceeds from redeemable units issued	–	9 001	43 556	9 001
Reinvestments of distributions to holders of redeemable units	229	374	1 061	374
Redemption of redeemable units	–	–	(9 549)	–
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	229	9 375	35 068	9 375
Distributions from net income	–	(374)	–	(374)
Distributions from net gains	(229)	–	(1 061)	–
Distributions from capital	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(229)	(374)	(1 061)	(374)
NET INCREASE (DECREASE) IN NAV	182	9 375	34 873	9 375
NAV AT END OF PERIOD	\$ 9 557	\$ 9 375	\$ 44 248	\$ 9 375



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2016

General information (see note 1 in the generic notes)

The Fund seeks to provide consistent absolute returns that are substantially independent of the performance of the global equity market by investing primarily in units of the RBC QUBE Market Neutral World Equity Fund, while seeking to minimize exposure to currency fluctuations between the U.S. and Canadian dollars through the use of derivatives.

All outstanding Series I – Feb16 units were renamed Series N – Feb16 units and all outstanding Series I – Mar16 units were renamed Series N – Mar16 units effective November 10, 2016. Series I – Feb16 units were started in February 2016 and Series I – Mar16 units in March 2016. The Fund was started in February 2015.

**Financial instrument risk and capital management
(see note 4 in the generic notes)**

The Fund invests primarily in the RBC QUBE Market Neutral World Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix.

Concentration risk (%)

The table below summarizes the Fund's investment portfolio (after consideration of derivative products, if any) as at:

	December 31 2016	December 31 2015
Investment mix		
United Kingdom Equities	7.9	(0.5)
China Equities	5.4	(0.1)
Denmark Equities	5.4	0.4
Luxembourg Equities	4.0	0.1
South Korea Equities	2.9	–
Switzerland Equities	2.3	(2.1)
Australia Equities	1.5	1.0
Hong Kong Equities	1.4	2.8
Brazil Equities	1.1	1.4
Spain Equities	0.9	(3.4)
Virgin Islands Equities	0.9	–
Malaysia Equities	0.5	–
United States Equities	0.5	(2.1)
Germany Equities	0.3	1.3
Poland Equities	0.2	0.1
Turkey Equities	0.2	–
Belgium Equities	0.1	0.3
Taiwan Equities	0.1	–
Austria Equities	–	0.8
Czech Republic Equities	–	0.4
Colombia Equities	–	0.3
Indonesia Equities	–	0.2
Norway Equities	(0.1)	0.1
Hungary Equities	(0.2)	0.2
South Africa Equities	(0.2)	–
Finland Equities	(0.5)	–
Netherlands Equities	(0.6)	2.7

Please see the generic notes at the back of the financial statements.

	December 31 2016	December 31 2015
Investment mix		
Bermuda Equities	(0.6)	2.4
Mexico Equities	(1.1)	(0.6)
Singapore Equities	(1.5)	1.0
Sweden Equities	(2.1)	(0.2)
France Equities	(2.6)	(3.2)
Italy Equities	(2.7)	0.3
Israel Equities	(3.7)	–
Canada Equities	(3.8)	–
Japan Equities	(4.6)	2.3
Cayman Islands Equities	(5.3)	(1.2)
Ireland Equities	(6.0)	(4.5)
Cash/Other	100.0	99.8
Total	100.0	100.0

Currency risk (% of net assets)

Since the currency risk of the underlying fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 16-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2016
MSCI World Total Return Net Index (hedged to CAD)	+ or - 0.1

Prior to August 2015, the fund held only cash. Due to the fact the Fund was invested in financial instruments for less than six months prior to December 31, 2015, no comparative data can be provided, as any correlation between the Fund's return and the broad-based index could be materially misleading.

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of December 31, 2016 and 2015.

December 31, 2016	Level 1	Level 2	Level 3	Total
Equities – long	–	–	–	–
Equities – short	–	–	–	–
Mutual fund units	–	44 205	–	44 205
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	224	–	224
Derivatives – liabilities	–	(522)	–	(522)
Total financial instruments	–	43 907	–	43 907
% of total portfolio	–	100.0	–	100.0



December 31, 2016

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities – long	–	–	–	–
Equities – short	–	–	–	–
Mutual fund units	–	9 000	–	9 000
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	15	–	15
Derivatives – liabilities	–	(449)	–	(449)
Total financial instruments	–	8 566	–	8 566
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2016 and 2015, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and operating expenses (see note 7 in the generic notes)

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.

	Management fees*	Operating expenses
Series I	0.85%	0.02%
Series N	0.85%	0.02%
Series O	n/a [†]	0.02%

* Effective March 1, 2016, the management fees for Series I units were reduced to 0.85% from 1.00%.

[†] Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

Performance fees

No performance fees are payable on Series O units. Series I and Series N performance fees are payable to RBC GAM and calculated at the annual rate of 15%, before GST/HST, of the positive amount by which the annual return of the Series I and Series N sub-series exceeds a specified “high water mark.” At the end of each year, any series (or applicable sub-series) with performance fees payable will be re-designated into a single series.

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2016	December 31 2015
Units held		
Series I	53	50
Series O	960 410	900 050
Value of all units	9 557	9 169

Please see the generic notes at the back of the financial statements.

Underlying mutual fund ownership interest (%)

The table below summarizes the Fund’s interest in the underlying mutual fund as a percentage of NAV, and the Fund’s ownership interest as a percentage of the net assets of the underlying fund (“Ownership”). The underlying fund is established and conducts business in Canada, and has an associate relationship to the Fund.

	December 31 2016		December 31 2015	
	NAV	Ownership	NAV	Ownership
RBC QUBE Market Neutral World Equity Fund	99.9	99.9	96.0	100.0

Taxes (\$000s) (see note 5 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2016.

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2016	2015
Series I – Mar15		
Opening units	–	–
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	–	–
Series N – Feb16		
Opening units	–	–
Issued number of units	4 280	–
Reinvested number of units	82	–
Redeemed number of units	(947)	–
Ending number of units	3 415	–
Series N – Mar16		
Opening units	–	–
Issued number of units	75	–
Reinvested number of units	2	–
Redeemed number of units	–	–
Ending number of units	77	–
Series O		
Opening units	937	–
Issued number of units	–	900
Reinvested number of units	23	37
Redeemed number of units	–	–
Ending number of units	960	937



December 31, 2016

Investments by other related investment funds (%)
(see note 7 in the generic notes)

The table below summarizes, as a percentage, the net assets of the Fund owned by other related investment funds as at:

	December 31 2016	December 31 2015
RBC Multi-Strategy Alpha Fund	78.4	—

1. The Funds

The mutual funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of British Columbia or Ontario and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 8, 2017.

The Funds may issue an unlimited number of units in some or all of Series A, Series I, Series N, Series F, Series O and Series P.

Series A, Series I, Series F and Series O units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series N and Series P units are only available to related mutual funds. Series O units may only be purchased, switched or redeemed through RBC GAM or in certain circumstances, Phillips, Hager & North Investment Funds Ltd.

2. Financial year/period

The information provided in these financial statements and notes thereto is for the 12-month periods ended or as at December 31, 2016 and 2015. In the year a Fund or series is established, “period” represents the period from inception to December 31 of that fiscal year.

3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), which include estimates and assumptions made by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Funds, which are investment entities, are as follows:

Classification of Financial Assets and Liabilities The Funds’ financial assets and financial liabilities, other than derivatives, are designated at fair value through profit or loss at inception, as those financial assets and liabilities are managed together and their performance evaluated on a fair value basis in accordance with the Funds’ documented investment strategy. Derivatives are classified as held for trading and measured at fair value through profit or loss. Redemption units are measured at their respective redemption values. All other assets and liabilities are measured at amortized cost.

Unrealized gains (losses) arising on derivatives are shown on the respective Fund’s Statements of Financial Position and such amounts are included in the Statements of Comprehensive Income in “Change in unrealized gain (loss) on investments,” where applicable. Realized gains arising on derivatives during a period are included in the Statements of Comprehensive Income in “Other derivatives,” where applicable. Refer to note 3 for net gains (losses) on financial instruments by category.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds’ outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds managed by the manager or an affiliate of the manager (“Investee Funds”). The Investee Funds are determined to be unconsolidated structured entities, as decision making in the Investee Fund is not governed by the voting rights or other similar rights held by the Fund. The investments in Investee Funds are subject to the terms and conditions of the offering documentation of the respective Investee Funds and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The Investee Funds’ objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The Investee Funds apply various investment strategies to accomplish their respective investment objectives.

The Investee Funds finance their operations by issuing redeemable units which are puttable at the unitholder’s option, and entitle the unitholder to a proportional stake in the respective Fund’s net assets.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both and

(iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of the investment in the Investee Fund is included in the Schedule of Investment Portfolio and included in “Investments at fair value” in the Fund’s Statements of Financial Position. The change in fair value of the investment held in the Investee Fund is included in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm’s-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds’ financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment’s assigned level.

The three-tier hierarchy of investments and derivatives is included in “Notes to Financial Statements – Fund Specific Information.”

Investments are recorded at fair value, which is determined as follows:

Equities – Common shares, preferred shares and exchange-traded funds are valued at the closing price as recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities and debentures are valued at the closing price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at fair value, which is approximated at cost plus accrued interest.

Options – Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

The premium received for written options is recorded as a liability in the Schedule of Investment Portfolio and adjusted daily to the fair value of the written option.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any unrealized gain or loss at the close of business on each valuation date is recorded as “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on bond forward contracts is included in “Other Derivatives” in the Statements of Comprehensive Income. Realized gain (loss) on foreign exchange contracts is included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Net gain (loss) from futures contracts” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Total Return Swaps – The Funds may enter into total return swaps to gain or mitigate exposure of the underlying reference securities. Total return swaps on commodities involve commitments where cash flows are exchanged based on the price of a commodity and based on a fixed or variable rate.

One party would receive payments based on the market value of the commodity involved and pay a fixed amount. Total return swaps on indices or individual securities involve commitments to pay interest in exchange for a market-linked return. One counterparty pays out the total return of a specific reference asset, which may be an equity, index, or bond, and in return receives a regular stream of payments. To the extent the total return of the security or index underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Fund will receive a payment from or make a payment to the counterparty.

Interest Rate Swap Contracts – Interest rate swaps are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as an asset or liability in the Statements of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as “Other derivatives” in the Statements of Comprehensive Income. Interest rate swap contracts are valued based upon quotations from independent sources.

Credit Default Swap Contracts – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees paid or received are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as “Other derivatives” in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

Mutual Fund Unit Valuation – Units of Funds are valued at their respective net asset value per unit from fund companies on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these fair valuation procedures, the Funds primarily employ a market-based approach, which may use related or comparable assets or

liabilities, recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee (“VC”) of the manager and are approved by the manager. The VC provides oversight of the Funds’ valuation policies and procedures.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars at the rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses are included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. BlueBay Canadian Institutional Global High Yield Bond Fund, Phillips, Hager & North BlueBay Emerging Market Debt Fund, RBC QUBE Market Neutral U.S. Equity Fund, RBC Alpha Plus U.S. Equity Fund, RBC QUBE Market Neutral World Equity Fund and RBC Market Neutral Equity Fund have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

Valuation of Series A different net asset value is calculated for each series of units of a Fund. The net asset value of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative net asset value of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Other income (loss)” includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components, such as income, capital gains and return of capital. “Other income received from underlying funds” includes income earned by a Fund from investments in underlying funds. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized on a straight line basis.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

BRL – Brazilian real	MXN – Mexican peso
CAD – Canadian dollar	MYR – Malaysian ringgit
CLP – Chilean peso	PEN – Peruvian nuevo sol
CNY – Chinese renminbi	PHP – Philippine peso
COP – Colombian peso	PLN – Polish zloty
EUR – Euro	RON – Romanian leu
GBP – Pound sterling	RUB – Russian ruble
HKD – Hong Kong dollar	THB – Thailand baht
HUF – Hungarian forint	TRY – Turkish new lira
IDR – Indonesian rupiah	TWD – New Taiwan dollar
INR – Indian rupee	USD – United States dollar
KRW – South Korean won	ZAR – South African rand

4. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund’s capital, which is its net assets and consists primarily of its financial instruments.

A Fund’s investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund’s performance by employing professional, experienced portfolio managers, daily monitoring of the Fund’s holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund’s investment activities and monitors compliance with the Fund’s investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to a Fund, is disclosed in its “Notes to Financial Statements – Fund Specific Information.”

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund’s assets in investments that are traded in an active market and that can be readily disposed. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund’s Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund’s unrealized gain on the contractual obligations with the counterparty. RBC GAM monitors each Fund’s credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

5. Taxes

The Funds qualify as mutual fund trusts, unit trusts or commercial trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 10 years, with the exception of non-capital losses realized in 2006 and later years, which may be carried forward up to 20 years.

6. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

7. Administrative and other related-party transactions

Manager, Portfolio Manager and Distributor

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager, portfolio manager and distributor of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The Funds pay a fixed administration fee to RBC GAM. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds and the cost of any new government or regulatory

requirements introduced and any borrowing costs (collectively, “other fund costs”), and taxes (including, but not limited to, GST/HST). Other fund costs will be allocated among each series of units of a Fund in accordance with the services used. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying mutual funds”). The Fund’s ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

Affiliates of RBC GAM that provide services to the Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Sub-Advisors

RBC Global Asset Management (UK) Limited, a wholly owned subsidiary of Royal Bank, is the sub-advisor for the RBC Fossil Fuel Free Global Equity Fund. BlueBay Asset Management LLP, an indirect wholly owned subsidiary of Royal Bank, is the sub-advisor of the BlueBay Canadian Institutional Global High Yield Bond Fund and the Phillips, Hager & North BlueBay Emerging Market Debt Fund.

Trustee

RBC Investor Services Trust (“RBC IS”) is the trustee of the Funds and holds title to the Funds’ property on behalf of unitholders.

Custodian

Unless specifically addressed in the Fund Specific Information, RBC IS is custodian of the Funds and holds the assets of the Funds.

Registrars

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

Broker and Dealer

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

Other Related-Party Transactions

RBC GAM has obtained relief from applicable securities legislation to engage in the types of transactions described below on behalf of the Funds. The Funds may rely on certain of this relief from time to time.

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) 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
- (c) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The Independent Review Committee has pursuant to its mandate to review certain transactions on behalf of the Funds, approved standing instructions in respect of the Related-Party Trading Activities. These standing instructions require that Related-Party Trading Activities 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 Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds.

8. Future accounting changes

The following IFRS standard has been issued, but is not yet in effect:

In July 2014, the International Accounting Standards Board finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement in its entirety upon its effective date.

The new standard, which becomes effective for annual periods beginning on or after January 1, 2018, is not expected to have a significant impact on the Funds.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the funds (the "Funds") whose financial statements accompany this letter and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



Damon G. Williams, FSA, FCIA, CFA

Chief Executive Officer
RBC Global Asset Management Inc.

March 8, 2018



Heidi Johnston, CPA, CA

Chief Financial Officer
RBC GAM Funds

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of:

Phillips, Hager & North Institutional S.T.I.F.	Phillips, Hager & North Long Mortgage Pension Trust	Phillips, Hager & North PRisM Balanced Fund
Phillips, Hager & North Municipal Plus Bond Fund		Phillips, Hager & North Enhanced Long Government Bond Fund
Phillips, Hager & North Mortgage Pension Trust	Phillips, Hager & North High Yield Mortgage Fund	Phillips, Hager & North Enhanced PRisM Long Fund
Phillips, Hager & North High Grade Corporate Bond Fund	Phillips, Hager & North Infrastructure Debt Fund	RBC Total Return Growth Fund
Phillips, Hager & North Investment Grade Corporate Bond Trust	Phillips, Hager & North Long Bond Pension Trust	Phillips, Hager & North Absolute Return Fund
Phillips, Hager & North PRisM – Short Return Bond Fund	Phillips, Hager & North Enhanced Long Bond Pension Trust	RBC Multi-Strategy Alpha Fund
Phillips, Hager & North Corporate Bond Trust	Phillips, Hager & North Long Core Plus Bond Fund	RBC QUBE 120/20 Canadian Equity Fund
Phillips, Hager & North Enhanced Total Return Bond Fund	Phillips, Hager & North PRisM – Mid	RBC QUBE Market Neutral Canadian Equity Fund
Phillips, Hager & North Corporate Bond Trust	Phillips, Hager & North PRisM – Long	BonaVista Canadian Equity Fund
Phillips, Hager & North Enhanced Corporate Bond Trust	Phillips, Hager & North 20+ Strip Fund	Phillips, Hager & North Institutional Gold & Precious Metals Fund
Phillips, Hager & North Private Placement Corporate Debt Fund	Phillips, Hager & North Custom Interest Rate Overlay Fund	RBC Canadian Preferred Share Fund
Phillips, Hager & North Core Plus Bond Fund	Phillips, Hager & North Custom Interest Rate Completion Fund	RBC Alpha Plus U.S. Equity Fund
Phillips, Hager & North Alpha Plus Bond Fund	Phillips, Hager & North PRisM Levered Government Bond Fund	RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
Phillips, Hager & North Long Municipal Plus Bond Fund	BlueBay Canadian Institutional Global High Yield Bond Fund	RBC QUBE Market Neutral World Equity Fund
Phillips, Hager & North Long Investment Grade Corporate Bond Trust	Phillips, Hager & North BlueBay Emerging Market Debt Fund	RBC QUBE Custom Global Equity Fund
Phillips, Hager & North Long Corporate Bond Trust	BonaVista Private Balanced Fund	(collectively referred to as the “Funds”)
	BonaVista Balanced Fund	

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position, comprehensive income, cash flows and changes in net assets attributable to holders of redeemable units as at and for the periods indicated in note 2, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each of the Funds in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial statements of each of the Funds based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position, financial performance and cash flows of each of the Funds as at and for the periods indicated in note 2, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 8, 2018



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2017

Number of Units	Security	Cost	Fair Value	% of Net Assets
MUTUAL FUND UNITS				
4 414 668	RBC QUBE Market Neutral World Equity Fund*	\$ 55 453	\$ 56 241	
TOTAL MUTUAL FUND UNITS		55 453	56 241	98.2
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		—	994	1.7
TOTAL PORTFOLIO		<u>\$ 55 453</u>	57 235	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			50	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		<u>\$ 57 285</u>		100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought CAD 4 225 Sold USD 3 313 @ 1.2754	11-Jan-2018	\$ 62
Bought CAD 11 500 Sold USD 9 018 @ 1.2752	18-Jan-2018	167
Bought CAD 11 160 Sold USD 8 795 @ 1.2690	25-Jan-2018	110
Bought CAD 10 875 Sold USD 8 471 @ 1.2839	08-Feb-2018	234
Bought CAD 200 Sold USD 156 @ 1.2847	08-Feb-2018	4
Bought CAD 14 180 Sold USD 11 033 @ 1.2852	23-Feb-2018	321
Bought CAD 6 295 Sold USD 4 936 @ 1.2754	23-Feb-2018	96
TOTAL FOREIGN EXCHANGE		<u>\$ 994</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2017	December 31 2016
ASSETS		
Investments at fair value	\$ 56 241	\$ 44 205
Cash	94	105
Due from investment dealers	—	355
Unrealized gain on foreign exchange contracts	994	224
TOTAL ASSETS	57 329	44 889
LIABILITIES		
Unrealized loss on foreign exchange contracts	—	522
Accounts payable and accrued expenses	44	119
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	44	641
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 57 285	\$ 44 248
Investments at cost	\$ 55 453	\$ 43 545
NAV		
SERIES A	\$ 1	\$ —
SERIES F	\$ 261	\$ 1
SERIES N	\$ 46 353	\$ 33 934
SERIES N – MAR16	\$ —	\$ 756
SERIES N – JAN17	\$ —	\$ —
SERIES N – JUL17	\$ —	\$ —
SERIES O	\$ 10 670	\$ 9 557
NAV PER UNIT		
SERIES A	\$ 9.29	\$ —
SERIES F	\$ 10.00	\$ 9.84
SERIES N	\$ 10.09	\$ 9.94
SERIES N – MAR16	\$ —	\$ 9.76
SERIES N – JAN17	\$ —	\$ —
SERIES N – JUL17	\$ —	\$ —
SERIES O	\$ 10.21	\$ 9.95

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2017	2016
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 1	\$ —
Other income received from underlying funds	—	252
Capital gains received from underlying funds	2 638	—
Net realized gain (loss) on investments	598	(70)
Net gain (loss) on foreign currencies and other net assets	1 400	546
Change in unrealized gain (loss) on investments	1 149	415
Change in unrealized gain (loss) in value of forward contracts	—	136
TOTAL INCOME (LOSS)	5 786	1 279
EXPENSES (see notes – Fund Specific Information)		
Management fees	395	284
Performance fees	27	83
Administration fees	11	10
Independent Review Committee costs	1	1
GST/HST	28	36
Expenses reimbursed by manager	—	(1)
TOTAL EXPENSES	462	413
INCREASE (DECREASE) IN NAV	\$ 5 324	\$ 866
INCREASE (DECREASE) IN NAV		
SERIES A	\$ —	\$ —
SERIES F	\$ (27)	\$ 1
SERIES N	\$ 3 688	\$ 683
SERIES N – MAR16	\$ 69	\$ —
SERIES N – JAN17	\$ 446	\$ —
SERIES N – JUL17	\$ 40	\$ —
SERIES O	\$ 1 108	\$ 182
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.33	\$ —
SERIES F	\$ (1.17)	\$ —
SERIES N	\$ 1.00	\$ 0.16
SERIES N – MAR16	\$ 1.34	\$ —
SERIES N – JAN17	\$ 1.04	\$ —
SERIES N – JUL17	\$ 0.60	\$ —
SERIES O	\$ 1.15	\$ 0.19



Statements of Cash Flow *(in \$000s)*

For the periods ended December 31
(see note 2 in the generic notes)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 5 324	\$ 866
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(2 638)	(252)
Net realized loss (gain) on investments	(598)	70
Change in unrealized loss (gain) on investments	(1 149)	(551)
(Increase) decrease in accrued receivables	—	805
Increase (decrease) in accrued payables	(75)	119
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(15 817)	(46 454)
Proceeds from sale and maturity of investments	7 229	11 491
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(7 724)	(33 906)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	48 874	43 556
Cash paid on redemption of redeemable units	(41 161)	(9 549)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 7 713	\$ 34 007
Net increase (decrease) in cash for the period	(11)	101
Cash (bank overdraft), beginning of period	105	4
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 94	\$ 105
Interest received (paid)	\$ 1	\$ —
Dividends received, net of withholding taxes	\$ —	\$ —



Statements of Changes in NAV (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	Series A			Series F			Series N			Series N – Mar16		
	2017		2016	2017		2016	2017		2016	2017		2016
NAV AT BEGINNING OF PERIOD	\$	–	\$	–	\$	1	\$	–	\$	33 934	\$	–
INCREASE (DECREASE) IN NAV		–	–	(27)		1		3 688		683		69
Early redemption fees		–	–	–		–		–		–		–
Proceeds from redeemable units issued		1	–	3 477		–		8 731		42 800		756
Reinvestments of distributions to holders of redeemable units		–	–	21		–		3 757		814		18
Redemption of redeemable units		–	–	(3 190)		–		–		(9 549)		(825)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS		1	–	308		–		12 488		34 065		(825)
Distributions from net income		–	–	–		–		–		–		–
Distributions from net gains		–	–	(21)		–		(3 757)		(814)		(18)
Distributions from capital		–	–	–		–		–		–		–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS		–	–	(21)		–		(3 757)		(814)		(18)
NET INCREASE (DECREASE) IN NAV		1	–	260		1		12 419		33 934		(756)
NAV AT END OF PERIOD	\$	1	\$	–	\$	261	\$	1	\$	46 353	\$	–

For the periods ended December 31 (see note 2 in the generic notes)	Series N – Jan17			Series N – Jul17			Series O			Total		
	2017		2016	2017		2016	2017		2016	2017		2016
NAV AT BEGINNING OF PERIOD	\$	–	\$	–	\$	–	\$	9 557	\$	9 375	\$	44 248
INCREASE (DECREASE) IN NAV		446	–	40		–		1 108		182		5 324
Early redemption fees		–	–	–		–		–		–		–
Proceeds from redeemable units issued		6 420	–	1 000		–		1 005		–		20 634
Reinvestments of distributions to holders of redeemable units		–	–	–		–		864		229		4 642
Redemption of redeemable units		(6 866)	–	(1 040)		–		(1 000)		–		(12 921)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS		(446)	–	(40)		–		869		229		12 355
Distributions from net income		–	–	–		–		–		–		–
Distributions from net gains		–	–	–		–		(864)		(229)		(4 642)
Distributions from capital		–	–	–		–		–		–		–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS		–	–	–		–		(864)		(229)		(4 642)
NET INCREASE (DECREASE) IN NAV		–	–	–		–		1 113		182		13 037
NAV AT END OF PERIOD	\$	–	\$	–	\$	–	\$	10 670	\$	9 557	\$	57 285



December 31, 2017

General information (see note 1 in the generic notes)

The Fund seeks to provide consistent absolute returns that are substantially independent of the performance of the global equity market by investing primarily in units of the RBC QUBE Market Neutral World Equity Fund, while seeking to minimize exposure to currency fluctuations between the U.S. and Canadian dollars through the use of derivatives.

Series A units were started August 31, 2017.

All outstanding Series I – Mar15 units were renamed Series F units effective August 31, 2017. All outstanding Series N – Mar16 units, Series N – Jan17 units and Series N – Jul17 units were re-designated as Series N – Feb16 units, and then all Series N – Feb16 units were renamed Series N units effective August 31, 2017.

All outstanding Series I – Feb16 units were renamed Series N – Feb16 units and all outstanding Series I – Mar16 units were renamed Series N – Mar16 units effective November 10, 2016. Series N – Jan17 units were started January 31, 2017, Series I – Mar16 units March 31, 2016 and Series I – Feb16 units February 29, 2016.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

The Fund invests primarily in the RBC QUBE Market Neutral World Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

Concentration risk (%)

The table below summarizes the Fund's investment portfolio (after consideration of derivative products, if any) as at:

Investment mix	December 31 2017	December 31 2016
Denmark	5.4	5.4
Australia	5.2	1.5
Switzerland	4.1	2.3
Germany	3.2	0.3
South Korea	3.1	2.9
Italy	2.4	(2.7)
Norway	1.9	(0.1)
Brazil	1.7	1.1
Hong Kong	0.5	1.4
Mexico	0.4	(1.1)
Belgium	0.1	0.1
Poland	0.1	0.2

Please see the generic notes at the back of the financial statements.

Investment mix	December 31 2017	December 31 2016
Bermuda	–	(0.6)
Cayman Islands	–	(5.3)
Finland	–	(0.5)
Hungary	–	(0.2)
Ireland	–	(6.0)
Israel	–	(3.7)
Malaysia	–	0.5
Netherlands	–	(0.6)
Taiwan	–	0.1
Turkey	–	0.2
Virgin Islands	–	0.9
New Zealand	(0.2)	–
Singapore	(0.4)	(1.5)
China	(0.5)	5.4
South Africa	(0.8)	(0.2)
United Kingdom	(0.8)	7.9
Luxembourg	(1.0)	4.0
United States	(1.6)	0.5
Canada	(4.0)	(3.8)
Spain	(4.0)	0.9
Sweden	(4.8)	(2.1)
Japan	(5.2)	(4.6)
France	(5.6)	(2.6)
Cash/Other	100.8	100.0
Total	100.0	100.0

Currency risk (% of NAV)

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Other price risk (% impact on NAV)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's NAV, using a 28-month (December 31, 2016 – 16-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2017	December 31 2016
MSCI World Total Return Net Index (hedged to CAD)	+ or - 0.0	+ or - 0.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.



December 31, 2017

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of December 31, 2017 and 2016.

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities – long	–	–	–	–
Equities – short	–	–	–	–
Mutual fund units	–	56 241	–	56 241
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	56 241	–	56 241
% of total portfolio	–	100.0	–	100.0

December 31, 2016	Level 1	Level 2	Level 3	Total
Equities – long	–	–	–	–
Equities – short	–	–	–	–
Mutual fund units	–	44 205	–	44 205
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	224	–	224
Derivatives – liabilities	–	(522)	–	(522)
Total financial instruments	–	43 907	–	43 907
% of total portfolio	–	100.0	–	100.0

For the periods ended December 31, 2017 and 2016, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**Management fees and operating expenses
(see note 8 in the generic notes)**

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 NAV of each series of the Fund.

	Management fees*	Operating expenses
Series A	2.00%	0.02%
Series F	1.00%	0.02%
Series N	1.00%	0.02%
Series O	n/a†	0.02%

* Effective September 1, 2017, the management fees for Series F units and Series N units were increased to 1.00% from 0.85%. Effective August 31, 2017, Series I units were renamed Series F units. Effective March 1, 2016, the management fees for Series I units were reduced to 0.85% from 1.00%.

† Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

Performance fees

No performance fees are payable on Series O units. Series F and Series N performance fees are payable to RBC GAM and calculated at the annual rate of 15%, before GST/HST, of the positive amount by which the annual return of Series F or Series N exceeds a specified “high water mark.” At the end of each year, any series with performance fees payable will be re-designated into a single series.

Effective August 31, 2017, the Fund is no longer subject to performance fees. Performance fees accrued in 2017 relate to fees earned before August 31, 2017.

**Investments by related parties
(\$000s except unit amounts)**

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2017	December 31 2016
Units held		
Series A	54	–
Series F	57	53
Series O	1 045 129	960 410
Value of all units	10 672	9 557

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund’s interest in the sponsored funds as a percentage of NAV, and the Fund’s ownership interest as a percentage of NAV of the sponsored funds (“Ownership”). All sponsored funds are established and conduct business in Canada.

	December 31 2017		December 31 2016	
	NAV	Ownership	NAV	Ownership
RBC QUBE Market Neutral				
World Equity Fund	98.2	99.9	99.9	99.9

Taxes (\$000s) (see note 6 in the generic notes)

The Fund had no capital or non-capital losses as at December 31, 2017.



December 31, 2017

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

2017 2016

Series A

Opening units	–	–
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	–	–

Series F

Opening units	–	–
Issued number of units	309	–
Reinvested number of units	2	–
Redeemed number of units	(285)	–
Ending number of units	26	–

Series N

Opening units	3 415	–
Issued number of units	807	4 280
Reinvested number of units	372	82
Redeemed number of units	–	(947)
Ending number of units	4 594	3 415

Series N – Mar16

Opening units	77	–
Issued number of units	–	75
Reinvested number of units	–	2
Redeemed number of units	(77)	–
Ending number of units	–	77

Series N – Jan17

Opening units	–	–
Issued number of units	642	–
Reinvested number of units	–	–
Redeemed number of units	(642)	–
Ending number of units	–	–

Series N – Jul17

Opening units	–	–
Issued number of units	100	–
Reinvested number of units	–	–
Redeemed number of units	(100)	–
Ending number of units	–	–

Series O

Opening units	960	937
Issued number of units	88	–
Reinvested number of units	85	23
Redeemed number of units	(88)	–
Ending number of units	1 045	960

Investments by other related investment funds (%) (see note 8 in the generic notes)

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2017	December 31 2016
RBC Multi-Strategy Alpha Fund	80.9	78.4

1. The Funds

The mutual funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of British Columbia or Ontario and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 8, 2018.

The Funds may issue an unlimited number of units in some or all of Series A, Series I, Series N, Series F, Series O and Series P.

Series A, Series I, Series F and Series O units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series N and Series P units are only available to related mutual funds. Series O units may only be purchased, switched or redeemed through RBC GAM or in certain circumstances, Phillips, Hager & North Investment Funds Ltd.

2. Financial year/period

The information provided in these financial statements and notes thereto is for the 12-month periods ended or as at December 31, 2017 and 2016, as applicable. In the year a Fund or series is established, “period” represents the period from inception to December 31 of that fiscal year.

3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”). The significant accounting policies of the Funds, which are investment entities, are as follows:

Classification of Financial Assets and Liabilities The Funds’ financial assets and financial liabilities, other than derivatives, are designated at fair value through profit or loss at inception, as those financial assets and liabilities are managed together and their performance evaluated on a fair value basis in accordance with the Funds’ documented investment strategy. Derivatives are classified as held for trading and measured at fair value through profit or loss. Redemption units are measured at their respective redemption values. All other assets and liabilities are measured at amortized cost. Realized gains arising on derivatives during a period are included in the Statements of Comprehensive Income in “Net gain (loss) from futures contracts,” “Other derivatives” and “Net gain (loss) on foreign currencies and other net assets,” where applicable.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds’ outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds and exchange-traded funds (“ETFs”) managed by the manager or an affiliate of the manager (“sponsored funds”) and may invest in other funds and ETFs managed by unaffiliated entities (“unsponsored funds”); collectively, “underlying funds.” The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of the offering documents of the respective underlying funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds’ objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder’s option, and entitle the unitholder to a proportional stake in the respective underlying funds’ NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in “Investments at fair value” in the Funds’ Statements of Financial Position. The change in fair value of

the investment held in the underlying funds is included in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm’s-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds’ financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment’s assigned level.

The three-tier hierarchy of investments and derivatives is included in “Notes to Financial Statements – Fund Specific Information.”

Investments and derivatives are recorded at fair value, which is determined as follows:

Equities – Common shares, preferred shares and exchange-traded funds are valued at the closing price as recorded by the security exchange on which the security is principally traded. In circumstances where the closing price

is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities and debentures are valued at the closing price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at fair value, which is approximated at cost plus accrued interest.

Options – Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

The premium received for written options is recorded as a liability in the Schedule of Investment Portfolio and adjusted daily to the fair value of the written option.

Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any unrealized gain or loss at the close of business on each valuation date is recorded as “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Realized gain (loss) on bond forward contracts is included in “Other Derivatives” in the Statements of Comprehensive Income. Realized gain (loss) on foreign exchange contracts is included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts.

Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Net gain (loss) from futures contracts” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Total Return Swaps – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Other derivatives” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Interest Rate Swap Contracts – Interest rate swaps are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as an asset or liability in the Statements of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as “Other derivatives” in the Statements of Comprehensive Income. Interest rate swap contracts are valued based upon quotations from independent sources.

Credit Default Swap Contracts – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic

fees paid or received are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as “Other derivatives” in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

Cross-Currency Swaps – A cross-currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross-currency swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Other derivatives” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position. The risks of cross-currency swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Mutual Fund Unit Valuation – Units of Funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these fair valuation procedures, the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. Management also has procedures in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any

restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee (“VC”) of the manager and are approved by the manager. The VC provides oversight of the Funds’ valuation policies and procedures.

Cash Cash is comprised of cash and deposits with banks and is recorded at fair value. The carrying amount of cash approximates its fair value because it is short-term in nature.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars at the rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses are included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Comprehensive Income.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. BlueBay Canadian Institutional Global High Yield Bond Fund, Phillips, Hager & North BlueBay Emerging Market Debt Fund, RBC Alpha Plus U.S. Equity Fund, RBC QUBE Market Neutral World Equity Fund and RBC Market Neutral Equity Fund have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

Valuation of Series A different NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period.

The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Other income (loss)” includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components, such as income, capital gains and return of capital. “Other income received from underlying funds” includes income earned by a Fund from investments in underlying funds. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

AUD – Australian dollar	NOK – Norwegian krone
BRL – Brazilian real	NZD – New Zealand dollar
CAD – Canadian dollar	OMR – Rial omani
CLP – Chilean peso	PEN – Peruvian nuevo sol
CNY – Chinese renminbi	PHP – Philippine peso
COP – Colombian peso	PLN – Polish zloty
CZK – Czech koruna	RON – Romanian leu
EUR – Euro	RUB – Russian ruble
GBP – Pound sterling	SAR – Saudi riyal
HKD – Hong Kong dollar	SGD – Singapore dollar
HUF – Hungarian forint	THB – Thailand baht
IDR – Indonesian rupiah	TRY – Turkish new lira
JPY – Japanese yen	USD – United States dollar
KRW – South Korean won	ZAR – South African rand
MXN – Mexican peso	

4. Critical accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying the Funds' accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

Classification and measurement of financial instruments and application of fair value option

In classifying and measuring financial instruments held by the Funds, the manager is required to make significant judgments about whether or not the business of the Funds is to invest on a total return basis for the purpose of applying the fair value option for financial assets.

Fair value measurement of securities not quoted in an active market

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds' assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

5. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund's capital, which is its NAV and consists primarily of its financial instruments.

A Fund's investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio managers, daily monitoring of the Fund's holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to a Fund, is disclosed in its "Notes to Financial Statements – Fund Specific Information." These risks include a Fund's direct risks and pro rata exposure to the risks of underlying funds, as applicable.

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

6. Taxes

The Funds qualify as mutual fund trusts, unit trusts or commercial trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of

a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

8. Administrative and other related-party transactions

Manager, Portfolio Manager and Distributor

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager, portfolio manager and distributor of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. The management fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, "other fund costs"), and taxes (including, but not limited to, GST/HST). Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying mutual funds”). A Fund will not invest in units of an underlying mutual fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying mutual fund for the same service. The Fund’s ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Funds, 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 Funds also maintain 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 Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Sub-Advisors

BlueBay Asset Management LLP is the sub-advisor of the BlueBay Canadian Institutional Global High Yield Bond Fund and the Phillips, Hager & North BlueBay Emerging Market Debt Fund.

The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. The sub-advisor is paid by the manager from the management fee paid by the Funds.

Trustee

RBC Investor Services Trust (“RBC IS”) is the trustee of the Funds and holds title to the Funds’ property on behalf of unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Custodian

Unless specifically addressed in the Fund Specific Information, RBC IS is custodian of the Funds and holds the assets of the Funds. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

Registrars

RBC GAM and RBC IS are the registrars of the Funds and keep records of who owns units of the Funds. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Broker and Dealer

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

Other Related-Party Transactions

RBC GAM has obtained relief from applicable securities legislation to engage in the types of transactions described below on behalf of the Funds. The Funds may rely on certain of this relief from time to time.

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) 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
- (c) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The Independent Review Committee has pursuant to its mandate to review certain transactions on behalf of the Funds, approved standing instructions in respect of the Related-Party Trading Activities. These standing instructions require that Related-Party Trading Activities 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 Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds.

9. Revision of comparative information

Where applicable, certain comparative figures on the Statements of Cash Flow have been revised.

Amounts reclassified to “Non-cash distributions from underlying funds” have been presented separately from amounts related to “Cost of investments purchased” to appropriately reflect the non-cash components of investments purchased. The impact on the “Net cash provided by (used in) operating activities” is nil.

Comparative figures on the Statements of Cash Flow have been revised for the following funds:

Phillips, Hager & North Enhanced Total Return Bond Fund, Phillips, Hager & North Core Plus Bond Fund, Phillips, Hager & North Alpha Plus Bond Fund, Phillips, Hager & North Long Bond Pension Trust, Phillips, Hager & North Enhanced Long Bond Pension Trust, Phillips, Hager & North Long Core Plus Bond Fund, BonaVista Private Balanced Fund, BonaVista Balanced Fund, Phillips, Hager & North PRisM Balanced Fund, Phillips, Hager & North Enhanced Long Government Bond Fund, Phillips, Hager & North Enhanced PRisM Long Fund, RBC Total Return Growth Fund, RBC Multi-Strategy Alpha Fund, RBC Alpha Plus U.S. Equity Fund and RBC QUBE Market Neutral World Equity Fund (CAD Hedged).

Amounts reclassified to “(Increase) decrease in margin accounts” have been presented separately from amounts related to “Cash (bank overdraft), beginning of period,” to appropriately separate changes in margin accounts.

Comparative figures on the Statements of Cash Flow have been revised for the following funds:

RBC Alpha Plus U.S. Equity Fund

“Cost of investments purchased” and “Proceeds from issue of redeemable units” exclude in-kind subscription transactions. “Proceeds from sale and maturity of investments” and “Cash paid on redemption of redeemable units” exclude in-kind redemption transactions.

Comparative figures on the Statements of Cash Flow have been revised for the following funds:

Phillips, Hager & North High Grade Corporate Bond Fund and Phillips, Hager & North Private Placement Corporate Debt Fund.

“Cost of investments purchased” and “Proceeds from sale and maturity of investments” exclude in-kind transactions.

Comparative figures on the Statements of Cash Flow have been revised for the following funds:

Phillips, Hager & North Infrastructure Debt Fund.

10. Future accounting changes

The following IFRS standard has been issued, but is not yet in effect:

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classifications and measurement models in IAS 39 and is effective for reporting periods beginning on or after January 1, 2018. Classification and measurement of debt assets will be driven by an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

On adoption of IFRS 9, the Funds' investment portfolios will continue to be classified at fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortized cost with no material impact expected from application of the new impairment model introduced in IFRS 9. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Funds' financial statements.

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the funds (the "Funds") whose financial statements accompany this letter and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

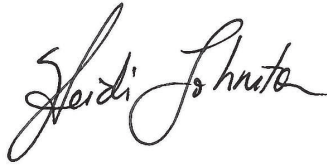
We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



Damon G. Williams, FSA, FCIA, CFA
Chief Executive Officer
RBC Global Asset Management Inc.

March 11, 2019



Heidi Johnston, CPA, CA
Chief Financial Officer
RBC GAM Funds

To the Unitholders and Trustee of

Phillips, Hager & North Institutional S.T.I.F.
 Phillips, Hager & North Short Investment Grade
 Corporate Bond Trust
 Phillips, Hager & North Municipal Plus Bond Fund
 Phillips, Hager & North Mortgage Pension Trust
 Phillips, Hager & North Investment Grade
 Corporate Bond Trust
 Phillips, Hager & North PRisM – Short
 Phillips, Hager & North Enhanced Total
 Return Bond Fund
 Phillips, Hager & North Corporate Bond Trust
 Phillips, Hager & North Enhanced Corporate
 Bond Trust
 Phillips, Hager & North Private Placement
 Corporate Debt Fund
 Phillips, Hager & North Core Plus Bond Fund
 Phillips, Hager & North Alpha Plus Bond Fund
 Phillips, Hager & North Long Municipal Plus
 Bond Fund
 Phillips, Hager & North Long Investment Grade
 Corporate Bond Trust
 Phillips, Hager & North Long Corporate
 Bond Trust
 Phillips, Hager & North PRisM Long Corporate
 Bond Trust
 Phillips, Hager & North Long Mortgage
 Pension Trust

Phillips, Hager & North High Yield Mortgage Fund
 Phillips, Hager & North Infrastructure Debt Fund
 Phillips, Hager & North Long Bond Pension Trust
 Phillips, Hager & North Enhanced Long Bond
 Pension Trust
 Phillips, Hager & North Long Core Plus Bond Fund
 Phillips, Hager & North PRisM – Mid
 Phillips, Hager & North PRisM – Long
 Phillips, Hager & North 20+ Strip Fund
 Phillips, Hager & North Custom Interest Rate
 Overlay Fund
 Phillips, Hager & North Custom Interest Rate
 Completion Fund
 Phillips, Hager & North Custom Universe
 Provincial Spread Overlay Fund I
 Phillips, Hager & North Custom Universe
 Provincial Spread Overlay Fund II
 Canadian Custom Long Term Fixed Income Fund
 Phillips, Hager & North Synthetic Floating
 Rate Fund
 Phillips, Hager & North PRisM Levered
 Government Bond Fund
 BlueBay Canadian Institutional Global High Yield
 Bond Fund
 Phillips, Hager & North BlueBay
 Emerging Market Debt Fund

BonaVista Private Balanced Fund
 BonaVista Balanced Fund
 Phillips, Hager & North PRisM Balanced Fund
 Phillips, Hager & North Enhanced Long
 Government Bond Fund
 Phillips, Hager & North Enhanced PRisM Long Fund
 RBC Total Return Growth Fund
 Phillips, Hager & North Absolute Return Fund
 RBC Multi-Strategy Alpha Fund
 RBC QUBE 120/20 Canadian Equity Fund
 RBC QUBE Market Neutral Canadian Equity Fund
 BonaVista Canadian Equity Fund
 Phillips, Hager & North Institutional Gold &
 Precious Metals Fund
 RBC Canadian Preferred Share Fund
 RBC Alpha Plus U.S. Equity Fund
 RBC QUBE Market Neutral World Equity Fund
 (CAD Hedged)
 RBC QUBE Market Neutral World Equity Fund
 RBC Market Neutral Equity Fund
 RBC QUBE Stable Dividend Global Equity Fund
 (CAD Hedged)
 RBC QUBE Custom Global Equity Fund
 (collectively, the “Funds”, individually the “Fund”)

Our opinion

In our opinion, the accompanying December 31, 2018 annual financial statements of each of the Funds present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows as at and for the periods indicated in note 2 in accordance with International Financial Reporting Standards (“IFRS”).

What we have audited

The financial statements of each of the Funds comprise:

- the statements of financial position as at the period-end dates indicated in note 2;
- the statements of comprehensive income for the periods indicated in note 2;
- the statements of cash flow for the periods indicated in note 2;
- the statements of changes in net assets attributable to holders of redeemable units (“NAV”) for the periods indicated in note 2; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each of the Funds in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each of the Funds to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any of the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each of the Funds.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each of the Funds.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each of the Funds, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each of the Funds.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each of the Funds to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each of the Funds or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any of the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each of the Funds, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 11, 2019



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
12 198 778	RBC QUBE Market Neutral World Equity Fund*	\$ 158 838	\$ 158 119	
TOTAL UNDERLYING FUNDS		158 838	158 119	103.1
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	1 123	0.7
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	(5 909)	(3.9)
TOTAL PORTFOLIO		<u>\$ 158 838</u>	153 333	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			59	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		<u>\$ 153 392</u>		100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought CAD 200 Sold USD 146 @ 1.3657	04-Jan-2019	\$ –
Bought USD 3 405 Sold CAD 4 500 @ 0.7567	04-Jan-2019	149
Bought USD 16 495 Sold CAD 22 495 @ 0.7333	04-Jan-2019	24
Bought USD 18 464 Sold CAD 24 375 @ 0.7575	10-Jan-2019	826
Bought USD 1 083 Sold CAD 1 450 @ 0.7471	10-Jan-2019	29
Bought USD 3 658 Sold CAD 4 900 @ 0.7465	10-Jan-2019	92
Bought USD 146 Sold CAD 200 @ 0.7323	10-Jan-2019	–
Bought USD 533 Sold CAD 725 @ 0.7355	17-Jan-2019	3
		<u>\$ 1 123</u>

Contracts	Maturity Date	Unrealized Loss
Bought CAD 26 995 Sold USD 20 602 @ 1.3103	04-Jan-2019	\$ (1 130)
Bought CAD 35 195 Sold USD 26 898 @ 1.3085	10-Jan-2019	(1 519)
Bought CAD 1 800 Sold USD 1 361 @ 1.3225	10-Jan-2019	(58)
Bought CAD 31 340 Sold USD 23 702 @ 1.3222	17-Jan-2019	(1 005)
Bought CAD 21 930 Sold USD 16 641 @ 1.3178	31-Jan-2019	(769)
Bought CAD 2 275 Sold USD 1 701 @ 1.3371	31-Jan-2019	(46)
Bought CAD 29 750 Sold USD 22 254 @ 1.3369	07-Feb-2019	(601)
Bought CAD 14 315 Sold USD 10 698 @ 1.3380	14-Feb-2019	(274)
Bought CAD 25 235 Sold USD 18 866 @ 1.3376	28-Feb-2019	(484)
Bought CAD 22 495 Sold USD 16 522 @ 1.3615	14-Mar-2019	(23)
		<u>\$ (5 909)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (4 786)</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).

The accompanying notes are an integral part of the financial statements.



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
ASSETS		
Investments at fair value	\$ 158 119	\$ 56 241
Cash	178	94
Unrealized gain on foreign exchange contracts	1 123	994
TOTAL ASSETS	159 420	57 329
LIABILITIES		
Unrealized loss on foreign exchange contracts	5 909	—
Accounts payable and accrued expenses	119	44
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	6 028	44
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 153 392	\$ 57 285
Investments at cost	\$ 158 838	\$ 55 453
NAV		
SERIES A	\$ 922	\$ 1
SERIES F	\$ 92 550	\$ 261
SERIES N	\$ 30 610	\$ 46 353
SERIES N – MAR16	\$ —	\$ —
SERIES N – JAN17	\$ —	\$ —
SERIES N – JUL17	\$ —	\$ —
SERIES O	\$ 29 310	\$ 10 670
NAV PER UNIT		
SERIES A	\$ 8.73	\$ 9.29
SERIES F	\$ 9.48	\$ 10.00
SERIES N	\$ 9.56	\$ 10.09
SERIES N – MAR16	\$ —	\$ —
SERIES N – JAN17	\$ —	\$ —
SERIES N – JUL17	\$ —	\$ —
SERIES O	\$ 9.76	\$ 10.21

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ —	\$ 1
Income from investment trusts	7 358	2 638
Derivative income	(6 115)	1 401
Net realized gain (loss) on investments	(983)	598
Change in unrealized gain (loss) on investments	(7 287)	1 149
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(7 027)	5 787
Net gain (loss) on foreign cash balances	262	(1)
TOTAL OTHER INCOME (LOSS)	262	(1)
TOTAL INCOME (LOSS)	(6 765)	5 786
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 032	395
Performance fees	—	27
Administration fees	24	11
Independent Review Committee costs	1	1
GST/HST	77	28
TOTAL EXPENSES	1 134	462
INCREASE (DECREASE) IN NAV	\$ (7 899)	\$ 5 324
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (59)	\$ —
SERIES F	\$ (4 604)	\$ (27)
SERIES N	\$ (2 001)	\$ 3 688
SERIES N – MAR16	\$ —	\$ 69
SERIES N – JAN17	\$ —	\$ 446
SERIES N – JUL17	\$ —	\$ 40
SERIES O	\$ (1 235)	\$ 1 108
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (1.14)	\$ 0.33
SERIES F	\$ (0.87)	\$ (1.17)
SERIES N	\$ (0.40)	\$ 1.00
SERIES N – MAR16	\$ —	\$ 1.34
SERIES N – JAN17	\$ —	\$ 1.04
SERIES N – JUL17	\$ —	\$ 0.60
SERIES O	\$ (0.58)	\$ 1.15



Statements of Cash Flow *(in \$000s)*

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (7 899)	\$ 5 324
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	(7 358)	(2 638)
Net realized loss (gain) on investments	983	(598)
Change in unrealized loss (gain) on investments	7 287	(1 149)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	75	(75)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased	(136 949)	(15 817)
Proceeds from sale and maturity of investments	39 939	7 229
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(103 922)	(7 724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units	158 795	48 874
Cash paid on redemption of redeemable units	(54 789)	(41 161)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 104 006	\$ 7 713
Net increase (decrease) in cash for the period	84	(11)
Cash (bank overdraft), beginning of period	94	105
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 178	\$ 94
Interest received (paid)	\$ —	\$ 1
Dividends received, net of withholding taxes	\$ —	\$ —



Statements of Changes in NAV (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Series F		Series N		Series N – Mar16	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ 1	\$ –	\$ 261	\$ 1	\$ 46 353	\$ 33 934	\$ –	\$ 756
INCREASE (DECREASE) IN NAV	(59)	–	(4 604)	(27)	(2 001)	3 688	–	69
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	1 027	1	110 093	3 477	11 758	8 731	–	–
Reinvestments of distributions to holders of redeemable units	7	–	1 110	21	1 198	3 757	–	–
Redemption of redeemable units	(47)	–	(13 200)	(3 190)	(25 500)	–	–	(825)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	987	1	98 003	308	(12 544)	12 488	–	(825)
Distributions from net income	(6)	–	(851)	–	(279)	–	–	–
Distributions from net gains	(1)	–	(259)	(21)	(919)	(3 757)	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(7)	–	(1 110)	(21)	(1 198)	(3 757)	–	–
NET INCREASE (DECREASE) IN NAV	921	1	92 289	260	(15 743)	12 419	–	(756)
NAV AT END OF PERIOD	\$ 922	\$ 1	\$ 92 550	\$ 261	\$ 30 610	\$ 46 353	\$ –	\$ –

For the periods ended December 31 (see note 2 in the generic notes)	Series N – Jan 17		Series N – Jul17		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
NAV AT BEGINNING OF PERIOD	\$ –	\$ –	\$ –	\$ –	\$ 10 670	\$ 9 557	\$ 57 285	\$ 44 248
INCREASE (DECREASE) IN NAV	–	446	–	40	(1 235)	1 108	(7 899)	5 324
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	–	6 420	–	1 000	35 917	1 005	158 795	20 634
Reinvestments of distributions to holders of redeemable units	–	–	–	–	638	864	2 953	4 642
Redemption of redeemable units	–	(6 866)	–	(1 040)	(16 042)	(1 000)	(54 789)	(12 921)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	–	(446)	–	(40)	20 513	869	106 959	12 355
Distributions from net income	–	–	–	–	(341)	–	(1 477)	–
Distributions from net gains	–	–	–	–	(297)	(864)	(1 476)	(4 642)
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	–	–	–	–	(638)	(864)	(2 953)	(4 642)
NET INCREASE (DECREASE) IN NAV	–	–	–	–	18 640	1 113	96 107	13 037
NAV AT END OF PERIOD	\$ –	\$ –	\$ –	\$ –	\$ 29 310	\$ 10 670	\$ 153 392	\$ 57 285



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2018

General information (see note 1 in the generic notes)

The Fund seeks to provide consistent absolute returns that are substantially independent of the performance of the global equity market by investing primarily in units of the RBC QUBE Market Neutral World Equity Fund, while seeking to minimize exposure to currency fluctuations between the U.S. and Canadian dollars through the use of derivatives.

Series A units were started August 31, 2017 and Series N – Jan17 units January 31, 2017.

All outstanding Series I – Mar15 units were renamed Series F units effective August 31, 2017. All outstanding Series N – Mar16 units, Series N – Jan17 units and Series N – Jul17 units were re-designated as Series N – Feb16 units, and then all Series N – Feb16 units were renamed Series N units effective August 31, 2017.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

The Fund invests primarily in the RBC QUBE Market Neutral World Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying mutual fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2018	December 31 2017
Investment mix		
Denmark	5.1	5.4
South Korea	4.1	3.1
Australia	4.1	5.2
Norway	3.6	1.9
Sweden	3.0	(4.8)
Finland	2.4	–
Germany	2.0	3.2
Netherlands	1.0	–
Poland	0.9	0.1
Spain	0.8	(4.0)
Brazil	0.5	1.7
New Zealand	0.5	(0.2)
Hong Kong	0.1	0.5
Mexico	0.1	0.4
Italy	–	2.4
Belgium	–	0.1
Luxembourg	–	(1.0)
United Kingdom	–	(0.8)

	December 31 2018	December 31 2017
Investment mix		
South Africa	(0.3)	(0.8)
China	(0.4)	(0.5)
United States	(0.7)	(1.6)
Singapore	(2.9)	(0.4)
Canada	(3.1)	(4.0)
Switzerland	(3.9)	4.1
France	(4.1)	(5.6)
Japan	(4.9)	(5.2)
Israel	(5.2)	–
Cash/Other	97.3	100.8
Total	100.0	100.0

Currency risk (% of NAV)

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Other price risk (% impact on NAV)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's NAV, using a 36-month (December 31, 2017 – 28-month) historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2018	December 31 2017
MSCI World Total Return Net Index (hedged to CAD)	+ or - 0.1	+ or - 0.0

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	158 119	–	–	158 119
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1 123	–	1 123
Derivatives – liabilities	–	(5 909)	–	(5 909)
Total financial instruments	158 119	(4 786)	–	153 333
% of total portfolio	103.1	(3.1)	–	100.0



December 31, 2018

December 31, 2017	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	56 241	—	—	56 241
Fixed-income and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	—	—	—
Derivatives – liabilities	—	—	—	—
Total financial instruments	56 241	—	—	56 241
% of total portfolio	100.0	—	—	100.0

For the periods ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

Management fees and administration fees (see note 8 in the generic notes)

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 NAV of each series of the Fund.

	Management fees*	Administration fees
Series A	2.00%	0.02%
Series F	1.00%	0.02%
Series N	1.00%	0.02%
Series O	n/a [†]	0.02%

* Effective September 1, 2017, the management fees for Series F units and Series N units were increased to 1.00% from 0.85%. Effective August 31, 2017, Series I units were renamed Series F units.

[†] Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

Performance fees

No performance fees are payable on Series O units. Series F and Series N performance fees are payable to RBC GAM and calculated at the annual rate of 15%, before GST/HST, of the positive amount by which the annual return of Series F or Series N exceeds a specified “high water mark.” At the end of each year, any series with performance fees payable will be re-designated into a single series.

Effective August 31, 2017, the Fund is no longer subject to performance fees. Performance fees accrued in 2017 relate to fees earned before August 31, 2017.

Please see the generic notes at the back of the financial statements.

Investments by related parties (\$000s except unit amounts)

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2018	December 31 2017
Units held		
Series A	56	54
Series F	59	57
Series O	60	1 045 129
Value of all units	2	10 672

Unconsolidated structured entities (%) (see note 3 in the generic notes)

The table below summarizes the Fund’s interest in the sponsored funds as a percentage of NAV, and the Fund’s ownership interest as a percentage of NAV of the sponsored funds (“Ownership”). All sponsored funds are established and conduct business in Canada.

	December 31 2018		December 31 2017	
	NAV	Ownership	NAV	Ownership
RBC QUBE Market Neutral				
World Equity Fund	103.1	105.3	98.2	99.9

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2018 for the Fund were approximately:

Capital losses	2 023
Non-capital losses	—

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31 (see note 2 in the generic notes)	2018	2017
Series A		
Opening units	—	—
Issued number of units	110	—
Reinvested number of units	1	—
Redeemed number of units	(5)	—
Ending number of units	106	—
Series F		
Opening units	26	—
Issued number of units	10 988	309
Reinvested number of units	115	2
Redeemed number of units	(1 365)	(285)
Ending number of units	9 764	26



December 31, 2018

For the periods ended December 31
(see note 2 in the generic notes)

	2018	2017
Series N		
Opening units	4 594	3 415
Issued number of units	1 185	807
Reinvested number of units	118	372
Redeemed number of units	(2 696)	–
Ending number of units	3 201	4 594

Series N – Mar16		
Opening units	–	77
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	(77)
Ending number of units	–	–

Series N – Jan17		
Opening units	–	–
Issued number of units	–	642
Reinvested number of units	–	–
Redeemed number of units	–	(642)
Ending number of units	–	–

Series N – Jul17		
Opening units	–	–
Issued number of units	–	100
Reinvested number of units	–	–
Redeemed number of units	–	(100)
Ending number of units	–	–

Series O		
Opening units	1 045	960
Issued number of units	3 499	88
Reinvested number of units	63	85
Redeemed number of units	(1 604)	(88)
Ending number of units	3 003	1 045

Investments by other related investment funds (%)
(see note 8 in the generic notes)

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2018	December 31 2017
RBC Multi-Strategy Alpha Fund	20.0	80.9

Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	1 123	(5 909)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	1 123	(5 909)
Related amounts not set-off	(1 123)	1 123
Collateral (received) pledged	–	–
Net amount	–	(4 786)

December 31, 2017	Assets	Liabilities
Gross amounts – assets (liabilities)	994	–
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	994	–
Related amounts not set-off	–	–
Collateral (received) pledged	–	–
Net amount	994	–

December 31, 2018

1. The Funds

The mutual funds (“Fund” or “Funds”) are open-ended mutual fund trusts governed by the laws of the Province of British Columbia or Ontario and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 11, 2019.

The Funds may issue an unlimited number of units in some or all of Series A, Series I, Series N, Series F, Series O and Series P.

Series A, Series I, Series F and Series O units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series N and Series P units are only available to related mutual funds. Series O units may only be purchased, switched or redeemed through RBC GAM or in certain circumstances, Phillips, Hager & North Investment Funds Ltd.

2. Financial year

The information provided in these financial statements and notes thereto is as at December 31, 2018 and December 31, 2017, as applicable, and for the 12-month periods ended December 31, 2018 and December 31, 2017, as applicable, except for Funds or series established during either period, in which case the information for the Fund, or series, is provided for the period from the start date as described in the Notes to Financial Statements – Fund Specific Information of the Fund.

3. Summary of significant accounting policies

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”). The significant accounting policies of the Funds, which are investment entities, are as follows:

Adoption of New Accounting Standards Effective January 1, 2018, the Funds adopted IFRS 9 Financial Instruments. The new standard requires financial assets to be classified as amortized cost and fair value, with changes in fair value through profit and loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”) based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial

assets. Assessment and decision on the business model approach used is an accounting judgment. IFRS 9 also introduces a new expected credit loss impairment model.

The adoption of IFRS 9 has been applied retrospectively without the use of hindsight and did not result in a change to the measurement of financial instruments, in either the current or comparative period. The Funds’ financial assets previously designated at FVTPL under IAS 39 Financial Instruments are now mandatorily classified and measured at FVTPL. The Funds’ financial assets and liabilities previously classified as FVTPL under the held for trading category continue to be classified as held for trading and measured at FVTPL. Other financial assets and liabilities will continue to be measured at amortized cost. There was no material impact on the adoption of the new impairment model.

In addition, certain comparative figures in the Statements of Comprehensive Income have been revised to meet the disclosure requirements on initial application of IFRS 9. Amounts previously recorded as “Net gain (loss) on foreign currencies and other net assets,” “Other derivatives” and “Net gain (loss) from futures contracts” are now recorded as “Derivative income.” And certain amounts previously recorded as “Other income (loss)” are now recorded as “Income from investment trusts.”

Classification and Measurement of Financial Assets, Liabilities and Derivatives Each of the Funds classify their investment portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets and liabilities is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds’ debt securities that are solely principal and interest are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds’ business model objectives. Consequently, all investments are measured at FVTPL. Derivative assets and liabilities are also measured at FVTPL.

The Funds’ obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

December 31, 2018

Offsetting Financial Assets and Liabilities In the normal course of business, the Funds may enter into various International Swaps and Derivatives Association master netting agreements or other similar arrangements with certain counterparties that allow for related amounts to be offset in certain circumstances, such as bankruptcy or termination of contracts. Offsetting information, where applicable, is presented in the Notes to Financial Statements – Fund Specific Information.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds’ outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds and exchange-traded funds (“ETFs”) managed by the manager or an affiliate of the manager (“sponsored funds”) and may invest in other funds and ETFs managed by unaffiliated entities (“unsponsored funds”); collectively, “underlying funds.” The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of the offering documents of the respective underlying funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds’ objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder’s option, and entitle the unitholder to a proportional stake in the respective underlying funds’ NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,

- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in “Investments at fair value” in the Funds’ Statements of Financial Position. The change in fair value of the investment held in the underlying funds is included in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm’s-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds’ financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The three-tier hierarchy of investments and derivatives is included in Notes to Financial Statements – Fund Specific Information.

Investments and derivatives are recorded at fair value, which is determined as follows:

Equities – Common shares and preferred shares are valued at the closing price as recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities and debentures are valued at the closing price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at fair value, which is approximated at cost plus accrued interest.

Options – Options give the purchaser the right, but not the obligation, to buy (call) or sell (put) an underlying security or financial instrument at an agreed exercise or strike price during the specified period or on a specified date.

Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Options purchased and options written (sold) are recorded as investments in the Statements of Financial Position. These investments are reported at fair value in the Statements of Financial Position, and unrealized gain or loss at the close of business on each valuation date is recorded in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

When an option is exercised and the underlying securities are acquired or delivered, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed the Fund will realize a gain or loss equal to the

difference between the premium and the cost to close the position. When an option expires, gains or losses are realized equivalent to the amount of premiums received or paid, respectively. The net realized gains (losses) on written and purchased options are included in the Statements of Comprehensive Income in "Net realized gain (loss) on investments."

Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Any unrealized gain or loss at the close of business on each valuation date is recorded as "Change in unrealized gain (loss) on investments" and realized gain or loss on foreign exchange contracts is included in "Derivative income" in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as "Derivative income" in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Total Return Swaps – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the

December 31, 2018

current net present value and the executed net present value in “Derivative income” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position, as applicable. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Interest Rate Swap Contracts – Interest rate swaps are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as an asset or liability in the Statements of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income” in the Statements of Comprehensive Income. Interest rate swap contracts are valued based upon quotations from independent sources.

Credit Default Swap Contracts – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees paid or received are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income” in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

Cross-Currency Swaps – A cross-currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross-currency swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income” in

the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position. The risks of cross-currency swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Securities Sold Short – Certain Funds may enter into short sales transactions. Short sales are transactions in which a Fund sells an investment that it may not own. A Fund may make short sales of investments to (i) offset potential declines in long positions in similar securities, (ii) to increase the flexibility of the Fund, (iii) for investment return, (iv) as part of a risk arbitrage strategy, and (v) as part of its overall portfolio management strategies involving the use of derivative instruments. When a Fund engages in a short sale, it may borrow the security sold short and deliver it to the counterparty. Securities sold short are reflected as “Investments in securities sold short” on the Statements of Financial Position. A Fund will ordinarily have to pay a fee or premium to borrow a security and be obligated to repay the lender of the security any dividend or interest that accrues on the security during the period of the loan. Such fees payable, as applicable, are reflected as “Stock loan fee payable” on the Statement of Financial Position. The fee incurred is reflected as “Stock loan fee” on the Statement of Comprehensive Income. Dividends payable on such securities, as applicable, are reflected as “Dividends payable on short sales” on the Statements of Financial Position. Dividends on such investments, if any, are reflected as “Dividends on short sales” on the Statements of Comprehensive Income.

Underlying Funds – Underlying funds that are mutual funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Procedures are in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

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Management also has procedures where the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee ("VC") of the manager and are approved by the manager. The VC provides oversight of the Funds' valuation policies and procedures.

Cash Cash is comprised of cash and deposits with banks and is recorded at amortized cost. The carrying amount of cash approximates its fair value because it is short term in nature.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the BlueBay Canadian Institutional Global High Yield Bond Fund, Phillips, Hager & North BlueBay Emerging Market Debt Fund, RBC Alpha Plus U.S. Equity Fund, RBC QUBE Market Neutral World Equity Fund and RBC Market Neutral Equity Fund) at the rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in "Net gain (loss) on foreign cash balances" in the Statements of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses on spot and forward currency contracts are included in "Derivative income" in the Statements of Comprehensive Income.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. BlueBay Canadian Institutional Global High Yield Bond Fund, Phillips, Hager & North BlueBay Emerging Market Debt Fund, RBC Alpha Plus U.S. Equity Fund, RBC QUBE Market Neutral World Equity Fund and RBC Market Neutral Equity Fund

have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

Valuation of Series A different NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series' proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. "Income from investment trusts" includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as "Interest expense" in the Statements of Comprehensive Income.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

ARS – Argentinian peso	JPY – Japanese yen
AUD – Australian dollar	KRW – South Korean won
BRL – Brazilian real	MXN – Mexican peso
CAD – Canadian dollar	MYR – Malaysian ringgit
CHF – Swiss franc	OMR – Omani rial
CLP – Chilean peso	PEN – Peruvian nuevo sol
CNY – Chinese renminbi	PHP – Philippine peso
COP – Colombian peso	PLN – Polish zloty
CZK – Czech koruna	RON – Romanian leu
DKK – Danish krone	RUB – Russian ruble
EUR – Euro	SAR – Saudi riyal
GBP – Pound sterling	SGD – Singapore dollar
HKD – Hong Kong dollar	THB – Thailand baht
HUF – Hungarian forint	TRY – Turkish new lira
IDR – Indonesian rupiah	USD – United States dollar
ILS – Israeli new shekel	ZAR – South African rand
INR – Indian rupee	

4. Critical accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying the Funds' accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

Fair value measurement of securities not quoted in an active market

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds' assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

5. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund's capital, which is its NAV and consists primarily of its financial instruments.

A Fund's investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio managers, daily monitoring of the Fund's holdings and market events, diversifying its

investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to a Fund, is disclosed in its Notes to Financial Statements – Fund Specific Information. These risks include a Fund's direct risks and pro rata exposure to the risks of underlying funds, as applicable.

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. All other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending

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program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

Short sales expose a Fund to the risk that it will be required to cover its short position at a time when the investment has appreciated in value, thus resulting in losses to a Fund. A gain, limited to the price at which a Fund sold the investment short, or a loss, unlimited in size, will be recognized upon the termination of a short sale. A Fund is also subject to the risk that it may be unable to reacquire an investment to terminate a short position except at a price substantially in excess of the last quoted price.

6. Taxes

The Funds qualify as mutual fund trusts, unit trusts or commercial trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

8. Administrative and other related-party transactions

Manager and Portfolio Manager

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. The management fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, “other fund costs”), and taxes (including, but not limited to, GST/HST). Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying mutual funds”). A Fund will not invest in units of an underlying mutual fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying mutual fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund’s ownership interest in underlying mutual funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Funds, 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 Funds also maintain 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 Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Distributors

RBC GAM and RBC Dominion Securities Inc. are principal distributors of, or may distribute certain series of units of, the Funds.

Sub-Advisors

BlueBay Asset Management LLP is the sub-advisor of the BlueBay Canadian Institutional Global High Yield Bond Fund and the Phillips, Hager & North BlueBay Emerging Market Debt Fund.

The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. The sub-advisor is paid by the manager from the management fee paid by the Funds.

Trustee

RBC GAM or RBC IS is the trustee of the Funds and holds title to the Funds’ property on behalf of unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Custodian

Unless specifically addressed in the Fund Specific Information, RBC IS is custodian of the Funds and holds the assets of the Funds. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

Registrars

RBC GAM and RBC IS are the registrars of the Funds and keep records of who owns units of the Funds. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Brokers and Dealers

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

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Securities Lending Agent

To the extent a 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

RBC GAM has obtained relief from applicable securities legislation to engage in the types of transactions described below on behalf of the Funds. The Funds may rely on certain of this relief from time to time.

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) 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
- (c) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The Independent Review Committee has, pursuant to its mandate to review certain transactions on behalf of the Funds, approved standing instructions in respect of the Related-Party Trading Activities. These standing instructions require that Related-Party Trading Activities 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 Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds.

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the funds (the "Funds") whose financial statements accompany this letter and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



Damon G. Williams, FSA, FCIA, CFA
Chief Executive Officer
RBC Global Asset Management Inc.

March 11, 2020



Heidi Johnston, CPA, CA
Chief Financial Officer
RBC GAM Funds

To the Unitholders and Trustee of

Phillips, Hager & North Institutional S.T.I.F.	Phillips, Hager & North Long Mortgage Pension Trust	BonaVista Private Balanced Fund
Phillips, Hager & North Short Investment Grade Corporate Bond Trust	Phillips, Hager & North Strategic Mortgage Fund	BonaVista Balanced Fund
Phillips, Hager & North Municipal Plus Bond Fund	Phillips, Hager & North High Yield Mortgage Fund	Phillips, Hager & North PRisM Balanced Fund
Phillips, Hager & North Mortgage Pension Trust	Phillips, Hager & North Infrastructure Debt Fund	Phillips, Hager & North Enhanced Long Government Bond Fund
Phillips, Hager & North Investment Grade Corporate Bond Trust	Phillips, Hager & North Long Bond Pension Trust	Phillips, Hager & North Enhanced PRisM Long Fund
Phillips, Hager & North U.S. Investment Grade Corporate Bond Trust (CAD Hedged)	Phillips, Hager & North Enhanced Long Bond Pension Trust	RBC Total Return Growth Fund
Phillips, Hager & North PRisM – Short	Phillips, Hager & North Long Core Plus Bond Fund	Phillips, Hager & North Absolute Return Fund
Phillips, Hager & North Enhanced Total Return Bond Fund	Phillips, Hager & North PRisM – Mid	RBC Multi-Strategy Alpha Fund
Phillips, Hager & North Corporate Bond Trust	Phillips, Hager & North PRisM – Long	RBC QUBE 120/20 Canadian Equity Fund
Phillips, Hager & North Enhanced Corporate Bond Trust	Phillips, Hager & North 20+ Strip Fund	RBC QUBE Market Neutral Canadian Equity Fund
Phillips, Hager & North Private Placement Corporate Debt Fund	Phillips, Hager & North Custom Interest Rate Overlay Fund	RBC Fundamental Minimum Volatility Canadian Equity Fund
Phillips, Hager & North Core Plus Bond Fund	Phillips, Hager & North Custom Interest Rate Completion Fund	BonaVista Canadian Equity Fund
Phillips, Hager & North Alpha Plus Bond Fund	Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund I	Phillips, Hager & North Institutional Gold & Precious Metals Fund
Phillips, Hager & North Long Municipal Plus Bond Fund	Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund II	RBC Canadian Preferred Share Fund
Phillips, Hager & North Long Investment Grade Corporate Bond Trust	Canadian Custom Long Term Fixed Income Fund	RBC Alpha Plus U.S. Equity Fund
Phillips, Hager & North Long Corporate Bond Trust	Phillips, Hager & North Synthetic Floating Rate Fund	RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
Phillips, Hager & North PRisM Long Corporate Bond Trust	Phillips, Hager & North PRisM Levered Government Bond Fund	RBC QUBE Market Neutral World Equity Fund
	BlueBay High Grade CLO Fund (CAD Hedged)	RBC Market Neutral Equity Fund
	BlueBay Canadian Institutional Global High Yield Bond Fund	RBC QUBE Stable Dividend Global Equity Fund (CAD Hedged)
		RBC QUBE Custom Global Equity Fund
		(individually, a Fund)

Our opinion

In our opinion, the accompanying December 31, 2019 financial statements of each Fund present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows as at and for the periods indicated in note 2 in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of each Fund comprise:

- the statements of financial position as at the period-end dates indicated in note 2;
- the statements of comprehensive income for the periods indicated in note 2;
- the statements of cash flow for the periods indicated in note 2;
- the statements of changes in net assets attributable to holders of redeemable units (NAV) for the periods indicated in note 2; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 11, 2020



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2019

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
5 829 318	RBC QUBE Market Neutral World Equity Fund – Series O*	\$ 75 868	\$ 63 983	
TOTAL UNDERLYING FUNDS		75 868	63 983	98.3
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	1 220	1.9
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	(176)	(0.3)
TOTAL PORTFOLIO		<u>\$ 75 868</u>	65 027	99.9
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			73	0.1
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>\$ 65 100</u>		100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought CAD 75 Sold USD 57 @ 1.3057	03-Jan-2020	\$ –
Bought CAD 14 930 Sold USD 11 400 @ 1.3097	16-Jan-2020	127
Bought CAD 18 910 Sold USD 14 303 @ 1.3221	30-Jan-2020	337
Bought CAD 7 245 Sold USD 5 453 @ 1.3287	06-Feb-2020	165
Bought CAD 21 965 Sold USD 16 606 @ 1.3227	27-Feb-2020	405
Bought USD 57 Sold CAD 75 @ 0.7660	27-Feb-2020	–
Bought CAD 4 490 Sold USD 3 418 @ 1.3138	05-Mar-2020	53
Bought USD 449 Sold CAD 582 @ 0.7712	05-Mar-2020	1
Bought CAD 11 215 Sold USD 8 537 @ 1.3136	12-Mar-2020	132
		<u>\$ 1 220</u>

Contracts	Maturity Date	Unrealized Loss
Bought USD 57 Sold CAD 75 @ 0.7570	16-Jan-2020	\$ (1)
Bought USD 303 Sold CAD 400 @ 0.7574	16-Jan-2020	(7)
Bought USD 1 279 Sold CAD 1 700 @ 0.7522	16-Jan-2020	(39)
Bought USD 605 Sold CAD 800 @ 0.7557	16-Jan-2020	(15)
Bought USD 1 731 Sold CAD 2 275 @ 0.7610	16-Jan-2020	(27)
Bought USD 5 059 Sold CAD 6 650 @ 0.7607	16-Jan-2020	(81)
Bought USD 766 Sold CAD 1 000 @ 0.7656	16-Jan-2020	(6)
		<u>\$ (176)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ 1 044</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2019	December 31 2018
ASSETS		
Investments at fair value	\$ 63 983	\$ 158 119
Cash	139	178
Due from investment dealers	78	–
Unrealized gain on foreign exchange contracts	1 220	1 123
TOTAL ASSETS	65 420	159 420
LIABILITIES		
Redemptions payable	86	–
Unrealized loss on foreign exchange contracts	176	5 909
Accounts payable and accrued expenses	58	119
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	320	6 028
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 65 100	\$ 153 392
Investments at cost	\$ 75 868	\$ 158 838
NAV		
SERIES A	\$ 437	\$ 922
SERIES F	\$ 23 498	\$ 92 550
SERIES N	\$ 27 457	\$ 30 610
SERIES O	\$ 13 708	\$ 29 310
NAV PER UNIT		
SERIES A	\$ 7.54	\$ 8.73
SERIES F	\$ 8.28	\$ 9.48
SERIES N	\$ 8.36	\$ 9.56
SERIES O	\$ 8.62	\$ 9.76

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2019	2018
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 2	\$ –
Income from investment trusts	–	7 358
Derivative income	(1 276)	(6 115)
Net realized gain (loss) on investments	(8 027)	(983)
Change in unrealized gain (loss) on investments	(5 336)	(7 287)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(14 637)	(7 027)
Net gain (loss) on foreign cash balances	(8)	262
TOTAL OTHER INCOME (LOSS)	(8)	262
TOTAL INCOME (LOSS)	(14 645)	(6 765)
EXPENSES (see notes – Fund Specific Information)		
Management fees	879	1 032
Administration fees	22	24
Independent Review Committee costs	1	1
GST/HST	100	77
TOTAL EXPENSES	1 002	1 134
INCREASE (DECREASE) IN NAV	\$ (15 647)	\$ (7 899)
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (100)	\$ (59)
SERIES F	\$ (8 582)	\$ (4 604)
SERIES N	\$ (3 953)	\$ (2 001)
SERIES O	\$ (3 012)	\$ (1 235)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (1.27)	\$ (1.14)
SERIES F	\$ (1.33)	\$ (0.87)
SERIES N	\$ (1.21)	\$ (0.40)
SERIES O	\$ (1.25)	\$ (0.58)



Statements of Cash Flow (in \$000s)

For the periods ended December 31
(see note 2 in the generic notes)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (15 647)	\$ (7 899)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash distributions from underlying funds	—	(7 358)
Net realized loss (gain) on investments	8 027	983
Change in unrealized loss (gain) on investments	5 336	7 287
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	(61)	75
(Increase) decrease in margin accounts	—	—
Cost of investments purchased*	(2 167)	(136 949)
Proceeds from sale and maturity of investments*	77 032	39 939
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	72 520	(103 922)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units*	14 569	158 795
Cash paid on redemption of redeemable units*	(87 128)	(54 789)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (72 559)	\$ 104 006
Net increase (decrease) in cash for the period	(39)	84
Cash (bank overdraft), beginning of period	178	94
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 139	\$ 178
Interest received (paid) [†]	\$ 2	\$ —
Income received from investment trusts [†]	\$ —	\$ —
Dividends received, net of withholding taxes [†]	\$ —	\$ —

* Excludes in-kind transactions.

[†] Classified as part of operating activities.



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

Statements of Changes in NAV *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Series F		Series N	
	2019	2018	2019	2018	2019	2018
NAV AT BEGINNING OF PERIOD	\$ 922	\$ 1	\$ 92 550	\$ 261	\$ 30 610	\$ 46 353
INCREASE (DECREASE) IN NAV	(100)	(59)	(8 582)	(4 604)	(3 953)	(2 001)
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	—	1 027	11 361	110 093	800	11 758
Reinvestments of distributions to holders of redeemable units	—	7	—	1 110	—	1 198
Redemption of redeemable units	(385)	(47)	(71 831)	(13 200)	—	(25 500)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(385)	987	(60 470)	98 003	800	(12 544)
Distributions from net income	—	(6)	—	(851)	—	(279)
Distributions from net gains	—	(1)	—	(259)	—	(919)
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	(7)	—	(1 110)	—	(1 198)
NET INCREASE (DECREASE) IN NAV	(485)	921	(69 052)	92 289	(3 153)	(15 743)
NAV AT END OF PERIOD	\$ 437	\$ 922	\$ 23 498	\$ 92 550	\$ 27 457	\$ 30 610

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2019	2018	2019	2018
NAV AT BEGINNING OF PERIOD	\$ 29 310	\$ 10 670	\$ 153 392	\$ 57 285
INCREASE (DECREASE) IN NAV	(3 012)	(1 235)	(15 647)	(7 899)
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	2 408	35 917	14 569	158 795
Reinvestments of distributions to holders of redeemable units	—	638	—	2 953
Redemption of redeemable units	(14 998)	(16 042)	(87 214)	(54 789)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(12 590)	20 513	(72 645)	106 959
Distributions from net income	—	(341)	—	(1 477)
Distributions from net gains	—	(297)	—	(1 476)
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	(638)	—	(2 953)
NET INCREASE (DECREASE) IN NAV	(15 602)	18 640	(88 292)	96 107
NAV AT END OF PERIOD	\$ 13 708	\$ 29 310	\$ 65 100	\$ 153 392



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2019

General information (see note 1 in the generic notes)

The Fund seeks to provide consistent absolute returns that are substantially independent of the performance of the global equity market by investing primarily in units of the RBC QUBE Market Neutral World Equity Fund, while seeking to minimize exposure to currency fluctuations between the U.S. and Canadian dollars through the use of derivatives.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

The Fund invests primarily in the RBC QUBE Market Neutral World Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2019	December 31 2018
France	5.3	(4.1)
Australia	4.6	4.1
Switzerland	4.6	(3.9)
South Korea	4.4	4.1
Denmark	3.5	5.1
Sweden	3.4	3.0
South Africa	1.6	(0.3)
Norway	0.8	3.6
Canada	0.3	(3.1)
Brazil	0.2	0.5
Netherlands	–	1.0
Poland	–	0.9
Israel	–	(5.2)
Mexico	(0.3)	0.1
Belgium	(0.3)	–
China	(0.4)	(0.4)
Italy	(0.6)	–
Finland	(0.7)	2.4
Hong Kong	(0.9)	0.1
New Zealand	(1.5)	0.5
United Kingdom	(1.5)	–
Singapore	(3.7)	(2.9)
United States	(4.2)	(0.7)
Japan	(4.9)	(4.9)
Germany	(5.0)	2.0
Spain	(5.2)	0.8
Cash/Other	100.5	97.3
Total	100.0	100.0

Currency risk (% of NAV)

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Other price risk (% impact on NAV)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's NAV, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2019	December 31 2018
MSCI World Total Return Net Index (hedged to CAD)	+ or - 0.0	+ or - 0.1

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of December 31, 2019 and 2018.

December 31, 2019	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	63 983	–	–	63 983
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1 220	–	1 220
Derivatives – liabilities	–	(176)	–	(176)
Total financial instruments	63 983	1 044	–	65 027
% of total portfolio	98.4	1.6	–	100.0

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	158 119	–	–	158 119
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1 123	–	1 123
Derivatives – liabilities	–	(5 909)	–	(5 909)
Total financial instruments	158 119	(4 786)	–	153 333
% of total portfolio	103.1	(3.1)	–	100.0

For the periods ended December 31, 2019 and 2018, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2019

**Management fees and administration fees
(see note 8 in the generic notes)**

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 NAV of each series of the Fund.

	Management fees	Administration fees
Series A	2.00%	0.02%
Series F	1.00%	0.02%
Series N	1.00%	0.02%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

**Investments by related parties
(\$000s except unit amounts)**

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2019	December 31 2018
Units held		
Series A	56	56
Series F	59	59
Series O	60	60
Value of all units	1	2

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2019		December 31 2018	
	NAV	Ownership	NAV	Ownership
RBC QUBE Market Neutral				
World Equity Fund	98.4	83.2	103.1	105.3

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2019 for the Fund were approximately:

Capital losses	11 129
Non-capital losses	1 000
Non-capital losses expire in: 2039	1 000

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2019	2018
Series A		
Opening units	106	–
Issued number of units	–	110
Reinvested number of units	–	1
Redeemed number of units	(48)	(5)
Ending number of units	58	106
Series F		
Opening units	9 764	26
Issued number of units	1 250	10 988
Reinvested number of units	–	115
Redeemed number of units	(8 177)	(1 365)
Ending number of units	2 837	9 764

Series N		
Opening units	3 201	4 594
Issued number of units	85	1 185
Reinvested number of units	–	118
Redeemed number of units	–	(2 696)
Ending number of units	3 286	3 201

Series O		
Opening units	3 003	1 045
Issued number of units	249	3 499
Reinvested number of units	–	63
Redeemed number of units	(1 663)	(1 604)
Ending number of units	1 589	3 003

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2019	December 31 2018
RBC Multi-Strategy Alpha Fund	42.2	20.0



December 31, 2019

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2019	Assets	Liabilities
Gross amounts – assets (liabilities)	1 220	(176)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	1 220	(176)
Related amounts not set-off	(127)	127
Collateral (received) pledged	–	–
Net amount	1 093	(49)

December 31, 2018	Assets	Liabilities
Gross amounts – assets (liabilities)	1 123	(5 909)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	1 123	(5 909)
Related amounts not set-off	(1 123)	1 123
Collateral (received) pledged	–	–
Net amount	–	(4 786)

December 31, 2019

1. The Funds

The funds ("Fund" or "Funds") are open-ended mutual fund trusts governed by the laws of the Province of British Columbia or Ontario and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 11, 2020.

The Funds may issue an unlimited number of units in some or all of Series A, Series I, Series N, Series F, Series O and Series P.

Series A, Series I, Series F and Series O units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series N and Series P units are only available to related funds. Series O units may only be purchased, switched or redeemed through RBC GAM or in certain circumstances, Phillips, Hager & North Investment Funds Ltd.

2. Financial year

The information provided in these financial statements and notes thereto is as at December 31, 2019 and December 31, 2018, as applicable, and for the 12-month periods ended December 31, 2019 and December 31, 2018, as applicable, except for Funds or series established during either period, in which case the information for the Fund, or series, is provided for the period from the start date as described in the Notes to Financial Statements – Fund Specific Information of the Fund.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies of the Funds are as follows:

Classification and Measurement of Financial Assets, Liabilities and Derivatives Each of the Funds classify their investment portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets and liabilities is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds' debt securities that are solely principal and interest are

neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds' business model objectives. Consequently, all investments are measured at fair value through profit and loss ("FVTPL"). Derivative assets and liabilities are also measured at FVTPL.

The Funds' obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

Offsetting Financial Assets and Liabilities In the normal course of business, the Funds may enter into various International Swaps and Derivatives Association master netting agreements or other similar arrangements with certain counterparties that allow for related amounts to be offset in certain circumstances, such as bankruptcy or termination of contracts. Offsetting information, where applicable, is presented in the Notes to Financial Statements – Fund Specific Information.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds and exchange-traded funds ("ETFs") managed by the manager or an affiliate of the manager ("sponsored funds") and may invest in other funds and ETFs managed by unaffiliated entities ("unsponsored funds"); collectively, "underlying funds." The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of the offering documents of the respective underlying funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds' objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

December 31, 2019

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective underlying funds' NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in "Investments at fair value" in the Funds' Statements of Financial Position. The change in fair value of the investment held in the underlying funds is included in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds' financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The three-tier hierarchy of investments and derivatives is included in Notes to Financial Statements – Fund Specific Information.

Investments and derivatives are recorded at fair value, which is determined as follows:

Equities – Common shares and preferred shares are valued at the closing price as recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities, loans, debentures and other debt securities are valued at the mid price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at cost plus accrued interest, which approximates fair value.

Options – Options give the purchaser the right, but not the obligation, to buy (call) or sell (put) an underlying security or financial instrument at an agreed exercise or strike price during the specified period or on a specified date.

Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

December 31, 2019

Options purchased and options written (sold) are recorded as investments in the Statements of Financial Position. These investments are reported at fair value in the Statements of Financial Position, and unrealized gain or loss at the close of business on each valuation date is recorded in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

When an option is exercised and the underlying securities are acquired or delivered, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed the Fund will realize a gain or loss equal to the difference between the premium and the cost to close the position. When an option expires, gains or losses are realized equivalent to the amount of premiums received or paid, respectively. The net realized gains (losses) on written and purchased options are included in the Statements of Comprehensive Income in "Net realized gain (loss) on investments."

Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Any unrealized gain or loss at the close of business on each valuation date is recorded as "Change in unrealized gain (loss) on investments" and realized gain or loss on foreign exchange contracts and realized gain or loss on bond forwards are included in "Derivative income" in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as "Derivative income" in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Total Return Swaps – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in "Derivative income" in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as "Receivable on open swap contracts" or "Payable on open swap contracts" in the Statements of Financial Position, as applicable. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Interest Rate Swap Contracts – Interest rate swaps are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as "Interest for distribution purposes" in the Statements of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as an asset or liability in the Statements of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as "Derivative income" in the Statements of Comprehensive Income. Interest rate swap contracts are valued based upon quotations from independent sources.

Credit Default Swap Contracts – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees paid or received are recorded as "Interest for distribution purposes" in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as "Derivative income" in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

December 31, 2019

Cross-Currency Swaps – A cross-currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross-currency swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position. The risks of cross-currency swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Securities Sold Short – Certain Funds may enter into short sales transactions. Short sales are transactions in which a Fund sells an investment that it may not own. A Fund may make short sales of investments to (i) offset potential declines in long positions in similar securities, (ii) to increase the flexibility of the Fund, (iii) for investment return, (iv) as part of a risk arbitrage strategy, and (v) as part of its overall portfolio management strategies involving the use of derivative instruments. When a Fund engages in a short sale, it may borrow the security sold short and deliver it to the counterparty. Securities sold short are reflected as “Investments in securities sold short” on the Statements of Financial Position. A Fund will ordinarily have to pay a fee or premium to borrow a security and be obligated to repay the lender of the security any dividend or interest that accrues on the security during the period of the loan. Such fees payable, as applicable, are reflected as “Stock loan fee payable” on the Statement of Financial Position. The fee incurred is reflected as “Stock loan fee” on the Statement of Comprehensive Income. Dividends payable on such securities, as applicable, are reflected as “Dividends payable on short sales” on the Statements of Financial Position. Dividends on such investments, if any, are reflected as “Dividends on short sales” on the Statements of Comprehensive Income.

Underlying Funds – Underlying funds that are not exchange-traded funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates

and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Procedures are in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

Management also has procedures where the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee (“VC”) of the manager and are approved by the manager. The VC provides oversight of the Funds’ valuation policies and procedures.

Cash Cash is comprised of cash and deposits with banks and is recorded at amortized cost. The carrying amount of cash approximates its fair value because it is short term in nature.

Margin Margin accounts represent margin deposits held with brokers in respect of futures contracts.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. BlueBay Canadian Institutional Global High Yield Bond Fund, RBC Alpha Plus U.S. Equity Fund, RBC QUBE Market Neutral World Equity Fund and RBC Market Neutral Equity Fund (collectively, the “USD Funds”) have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

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Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the USD Funds) at the rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in “Net gain (loss) on foreign cash balances” in the Statements of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses on spot and forward currency contracts are included in “Derivative income” in the Statements of Comprehensive Income.

Valuation of Series A different NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Stock loan fees and transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Income from investment trusts” includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as “Interest expense” in the Statements of Comprehensive Income.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

AUD – Australian dollar	ILS – Israeli new shekel
CAD – Canadian dollar	JPY – Japanese yen
CHF – Swiss franc	NOK – Norwegian krone
DKK – Danish krone	SEK – Swedish krona
EUR – Euro	SGD – Singapore dollar
GBP – Pound sterling	USD – United States dollar
HKD – Hong Kong dollar	

4. Critical accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying the Funds’ accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

Fair value measurement of securities not quoted in an active market

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds’ assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

5. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund’s capital, which is its NAV and consists primarily of its financial instruments.

A Fund’s investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund’s performance by employing professional, experienced portfolio managers, daily monitoring of the Fund’s holdings and market events, diversifying its

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investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

Financial instrument risk, as applicable to a Fund, is disclosed in its Notes to Financial Statements – Fund Specific Information. These risks include a Fund's direct risks and pro rata exposure to the risks of underlying funds, as applicable.

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund may be exposed to daily, weekly or monthly cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. All other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual

obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls. The currency risk as disclosed in the Fund Specific Information in the Notes to Financial Statements represents the monetary and non-monetary foreign exchange exposure of a Fund.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

Short sales expose a Fund to the risk that it will be required to cover its short position at a time when the investment has appreciated in value, thus resulting in losses to a Fund. A

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gain, limited to the price at which a Fund sold the investment short, or a loss, unlimited in size, will be recognized upon the termination of a short sale. A Fund is also subject to the risk that it may be unable to reacquire an investment to terminate a short position except at a price substantially in excess of the last quoted price.

6. Taxes

The Funds qualify as mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed. It is the intention of the Funds to pay out all net income and realized capital gains each year so that the Funds will not be subject to income taxes. Accordingly, no provision for income taxes is recorded.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

8. Administrative and other related-party transactions

Manager and Portfolio Manager

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is

responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. The management fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, "other fund costs"), and taxes (including, but not limited to, GST/HST). Effective January 1, 2020, RBC GAM, not the Funds, will be responsible for the costs related to annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee. The Funds will continue to be responsible for paying any Independent Review Committee costs that are not related to annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee. Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates ("underlying funds"). A Fund will not invest in units of an underlying fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying fund for the same service. To the extent a Fund invests in underlying funds

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managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund's ownership interest in underlying funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Funds, 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 Funds also maintain 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 Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Distributors

RBC GAM and RBC Dominion Securities Inc. are principal distributors of, or may distribute certain series of units of, the Funds.

Sub-Advisors

BlueBay Asset Management LLP is the sub-advisor of the BlueBay High Grade CLO Fund (CAD Hedged) and the BlueBay Canadian Institutional Global High Yield Bond Fund.

The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. The sub-advisor is paid by the manager from the management fee paid by the Funds.

Trustee

RBC GAM or RBC IS is the trustee of the Funds and holds title to the Funds' property on behalf of unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Custodian

Unless specifically addressed in the Fund Specific Information, RBC IS is custodian of the Funds and holds the assets of the Funds. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

Registrars

RBC GAM and RBC IS are the registrars of the Funds and keep records of who owns units of the Funds. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Brokers and Dealers

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

Securities Lending Agent

To the extent a 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

RBC GAM has obtained relief from applicable securities legislation to engage in the types of transactions described below on behalf of the Funds. The Funds may rely on certain of this relief from time to time.

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) 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
- (c) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The Independent Review Committee has, pursuant to its mandate to review certain transactions on behalf of the Funds, approved standing instructions in respect of the Related-Party Trading Activities. These standing instructions require that Related-Party Trading Activities 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

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than the best interests of the Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds.

9. Revision of comparative information

Where applicable, comparative figures on the Statements of Cash Flow have been revised. Amounts previously recorded as “Dividends received, net of withholding taxes” are now recorded as “Income received from investment trusts.”

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the funds (the "Funds") whose financial statements accompany this letter and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



Damon G. Williams, FSA, FCIA, CFA
Chief Executive Officer
RBC Global Asset Management Inc.

March 11, 2021



Heidi Johnston, CPA, CA
Chief Financial Officer
RBC GAM Funds

To the Unitholders and Trustee of

Phillips, Hager & North Institutional S.T.I.F. RBC Vision Fossil Fuel Free Short Term Bond Fund Phillips, Hager & North Short Investment Grade Corporate Bond Trust Phillips, Hager & North Short Core Plus Bond Fund Phillips, Hager & North Municipal Plus Bond Fund Phillips, Hager & North Mortgage Pension Trust Phillips, Hager & North Investment Grade Corporate Bond Trust Phillips, Hager & North U.S. Investment Grade Corporate Bond Trust (CAD Hedged) Phillips, Hager & North PRiSM – Short Phillips, Hager & North Enhanced Total Return Bond Fund Phillips, Hager & North Corporate Bond Trust Phillips, Hager & North Enhanced Corporate Bond Trust Phillips, Hager & North Private Placement Corporate Debt Fund Phillips, Hager & North Core Plus Bond Fund Phillips, Hager & North Alpha Plus Bond Fund Phillips, Hager & North Long Municipal Plus Bond Fund Phillips, Hager & North Long Investment Grade Corporate Bond Trust Phillips, Hager & North Long Corporate Bond Trust Phillips, Hager & North PRiSM Long Corporate Bond Trust	Phillips, Hager & North Long Mortgage Pension Trust Phillips, Hager & North Strategic Mortgage Fund Phillips, Hager & North High Yield Mortgage Fund Phillips, Hager & North Infrastructure Debt Fund Phillips, Hager & North Long Bond Pension Trust Phillips, Hager & North Enhanced Long Bond Pension Trust Phillips, Hager & North Long Core Plus Bond Fund Phillips, Hager & North PRiSM – Mid Phillips, Hager & North PRiSM – Long Phillips, Hager & North 20+ Strip Fund Phillips, Hager & North Custom Interest Rate Overlay Fund Phillips, Hager & North Custom Interest Rate Completion Fund Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund I Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund II Canadian Custom Long Term Fixed Income Fund Phillips, Hager & North Synthetic Floating Rate Fund Phillips, Hager & North PRiSM Levered Government Bond Fund BlueBay High Grade CLO Fund (CAD Hedged)	BlueBay Canadian Institutional Global High Yield Bond Fund (renamed BlueBay \$U.S. Global High Yield Bond Fund (Canada)) Phillips, Hager & North PRiSM Balanced Fund Phillips, Hager & North Enhanced Long Government Bond Fund Phillips, Hager & North Enhanced PRiSM Long Fund RBC Total Return Growth Fund Phillips, Hager & North Absolute Return Fund RBC Multi-Strategy Alpha Fund RBC QUBE 120/20 Canadian Equity Fund RBC QUBE Market Neutral Canadian Equity Fund RBC Fundamental Minimum Volatility Canadian Equity Fund RBC Vision QUBE Fossil Fuel Free Low Volatility Canadian Equity Fund Phillips, Hager & North Institutional Gold & Precious Metals Fund RBC Canadian Preferred Share Fund RBC Alpha Plus U.S. Equity Fund RBC QUBE Market Neutral World Equity Fund (CAD Hedged) RBC QUBE Market Neutral World Equity Fund RBC QUBE Stable Dividend Global Equity Fund (CAD Hedged) RBC QUBE Custom Global Equity Fund
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(individually, a Fund)

Our opinion

In our opinion, the accompanying December 31, 2020 financial statements of each Fund present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows as at and for the periods indicated in note 2 in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of each Fund comprise:

- the statements of financial position as at the period-end dates indicated in note 2;
- the statements of comprehensive income for the periods indicated in note 2;
- the statements of cash flow for the periods indicated in note 2;
- the statements of changes in net assets attributable to holders of redeemable units (NAV) for the periods indicated in note 2; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, handwritten-style script.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 11, 2021



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2020

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
2 553 372	RBC QUBE Market Neutral World Equity Fund – Series O*	\$ 32 805	\$ 25 170	
TOTAL UNDERLYING FUNDS		32 805	25 170	97.3
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	649	2.5
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	(56)	(0.2)
TOTAL PORTFOLIO		<u>\$ 32 805</u>	25 763	99.6
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			106	0.4
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		<u>\$ 25 869</u>		100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought CAD 4 250 Sold USD 3 317 @ 1.2813	04-Jan-2021	\$ 28
Bought CAD 4 393 Sold USD 3 315 @ 1.3251	14-Jan-2021	173
Bought CAD 7 150 Sold USD 5 464 @ 1.3087	28-Jan-2021	196
Bought CAD 9 960 Sold USD 7 676 @ 1.2976	04-Feb-2021	191
Bought CAD 9 700 Sold USD 7 578 @ 1.2801	04-Mar-2021	56
Bought USD 98 Sold CAD 125 @ 0.7836	04-Mar-2021	–
Bought CAD 1 435 Sold USD 1 123 @ 1.2775	11-Mar-2021	5
		<u>\$ 649</u>

Contracts	Maturity Date	Unrealized Loss
Bought USD 848 Sold CAD 1 100 @ 0.7708	14-Jan-2021	\$ (21)
Bought USD 624 Sold CAD 800 @ 0.7797	28-Jan-2021	(6)
Bought USD 486 Sold CAD 619 @ 0.7850	28-Jan-2021	(1)
Bought USD 3 317 Sold CAD 4 250 @ 0.7805	04-Mar-2021	(28)
		<u>\$ (56)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ 593</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2020	December 31 2019
ASSETS		
Investments at fair value	\$ 25 170	\$ 63 983
Cash	190	139
Due from investment dealers	4 201	78
Unrealized gain on foreign exchange contracts	649	1 220
TOTAL ASSETS	30 210	65 420
LIABILITIES		
Redemptions payable	4 255	86
Unrealized loss on foreign exchange contracts	56	176
Accounts payable and accrued expenses	30	58
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	4 341	320
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 25 869	\$ 65 100
Investments at cost	\$ 32 805	\$ 75 868
NAV		
SERIES A	\$ 250	\$ 437
SERIES F	\$ 6 353	\$ 23 498
SERIES N	\$ 18 177	\$ 27 457
SERIES O	\$ 1 089	\$ 13 708
NAV PER UNIT		
SERIES A	\$ 6.78	\$ 7.54
SERIES F	\$ 7.50	\$ 8.28
SERIES N	\$ 7.57	\$ 8.36
SERIES O	\$ 7.88	\$ 8.62

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2020	2019
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ –	\$ 2
Income from investment trusts	822	–
Derivative income	(474)	(1 276)
Net realized gain (loss) on investments	(6 744)	(8 027)
Change in unrealized gain (loss) on investments	3 799	(5 336)
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	(2 597)	(14 637)
Net gain (loss) on foreign cash balances	(96)	(8)
TOTAL OTHER INCOME (LOSS)	(96)	(8)
TOTAL INCOME (LOSS)	(2 693)	(14 645)
EXPENSES (see notes – Fund Specific Information)		
Management fees	417	879
Administration fees	8	22
Independent Review Committee costs	–	1
GST/HST	50	100
TOTAL EXPENSES	475	1 002
INCREASE (DECREASE) IN NAV	\$ (3 168)	\$ (15 647)
INCREASE (DECREASE) IN NAV		
SERIES A	\$ (29)	\$ (100)
SERIES F	\$ (1 295)	\$ (8 582)
SERIES N	\$ (1 765)	\$ (3 953)
SERIES O	\$ (79)	\$ (3 012)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ (0.65)	\$ (1.27)
SERIES F	\$ (0.63)	\$ (1.33)
SERIES N	\$ (0.59)	\$ (1.21)
SERIES O	\$ (0.15)	\$ (1.25)



Statements of Cash Flow *(in \$000s)*

For the periods ended December 31
(see note 2 in the generic notes)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ (3 168)	\$ (15 647)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash dividends	—	—
Non-cash distributions from underlying funds	(822)	—
Net realized loss (gain) on investments	6 744	8 027
Change in unrealized loss (gain) on investments	(3 799)	5 336
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	(28)	(61)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased*	(3 282)	(2 167)
Proceeds from sale and maturity of investments*	36 300	77 032
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	31 945	72 520
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units*	2 280	14 569
Cash paid on redemption of redeemable units*	(34 174)	(87 128)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (31 894)	\$ (72 559)
Net increase (decrease) in cash for the period	51	(39)
Cash (bank overdraft), beginning of period	139	178
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 190	\$ 139
Interest received (paid) [†]	\$ —	\$ 2
Income from investment trusts received (paid) ^{†‡}	\$ —	\$ —
Dividends received (paid) ^{†‡}	\$ —	\$ —

* Excludes in-kind transactions.

[†] Classified as part of operating activities.

[‡] Net of withholding taxes, if applicable.



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

Statements of Changes in NAV *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Series F		Series N	
	2020	2019	2020	2019	2020	2019
NAV AT BEGINNING OF PERIOD	\$ 437	\$ 922	\$ 23 498	\$ 92 550	\$ 27 457	\$ 30 610
INCREASE (DECREASE) IN NAV	(29)	(100)	(1 295)	(8 582)	(1 765)	(3 953)
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	—	—	2 278	11 361	—	800
Reinvestments of distributions to holders of redeemable units	4	—	241	—	370	—
Redemption of redeemable units	(158)	(385)	(18 128)	(71 831)	(7 515)	—
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(154)	(385)	(15 609)	(60 470)	(7 145)	800
Distributions from net income	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	(4)	—	(241)	—	(370)	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(4)	—	(241)	—	(370)	—
NET INCREASE (DECREASE) IN NAV	(187)	(485)	(17 145)	(69 052)	(9 280)	(3 153)
NAV AT END OF PERIOD	\$ 250	\$ 437	\$ 6 353	\$ 23 498	\$ 18 177	\$ 27 457

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2020	2019	2020	2019
NAV AT BEGINNING OF PERIOD	\$ 13 708	\$ 29 310	\$ 65 100	\$ 153 392
INCREASE (DECREASE) IN NAV	(79)	(3 012)	(3 168)	(15 647)
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	2	2 408	2 280	14 569
Reinvestments of distributions to holders of redeemable units	92	—	707	—
Redemption of redeemable units	(12 542)	(14 998)	(38 343)	(87 214)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(12 448)	(12 590)	(35 356)	(72 645)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	(92)	—	(707)	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(92)	—	(707)	—
NET INCREASE (DECREASE) IN NAV	(12 619)	(15 602)	(39 231)	(88 292)
NAV AT END OF PERIOD	\$ 1 089	\$ 13 708	\$ 25 869	\$ 65 100



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2020

General information (see note 1 in the generic notes)

The Fund seeks to provide consistent absolute returns that are substantially independent of the performance of the global equity market by investing primarily in units of the RBC QUBE Market Neutral World Equity Fund, while seeking to minimize exposure to currency fluctuations between the U.S. and Canadian dollars through the use of derivatives.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

The Fund invests primarily in the RBC QUBE Market Neutral World Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2020	December 31 2019
Switzerland	5.9	4.6
Denmark	5.2	3.5
Brazil	3.2	0.2
Finland	3.2	(0.7)
South Africa	2.2	1.6
New Zealand	1.5	(1.5)
South Korea	1.5	4.4
Italy	1.3	(0.6)
Sweden	0.9	3.4
Poland	0.2	–
Australia	–	4.6
Germany	–	(5.0)
Canada	(0.1)	0.3
China	(0.3)	(0.4)
Norway	(0.3)	0.8
Hong Kong	(0.4)	(0.9)
Mexico	(1.0)	(0.3)
Spain	(1.1)	(5.2)
Netherlands	(1.8)	–
United States	(2.0)	(4.2)
Belgium	(2.2)	(0.3)
Singapore	(2.6)	(3.7)
United Kingdom	(2.9)	(1.5)
Japan	(5.0)	(4.9)
France	(5.8)	5.3
Cash/Other	100.4	100.5
Total	100.0	100.0

Currency risk (% of NAV)

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Other price risk (% impact on NAV)

In light of current market volatility related to COVID-19, management has applied 10% for other price risk sensitivity.

The table below shows the impact of a 10% (December 31, 2019 – 1%) change in the broad-based index (noted below) on the Fund's NAV, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2020	December 31 2019
MSCI World Total Return Net Index (hedged to CAD)	+ or - -0.6	+ or - 0.0

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of December 31, 2020 and 2019.

December 31, 2020	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	25 170	–	–	25 170
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	649	–	649
Derivatives – liabilities	–	(56)	–	(56)
Total financial instruments	25 170	593	–	25 763
% of total portfolio	97.7	2.3	–	100.0

December 31, 2019	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	63 983	–	–	63 983
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	1 220	–	1 220
Derivatives – liabilities	–	(176)	–	(176)
Total financial instruments	63 983	1 044	–	65 027
% of total portfolio	98.4	1.6	–	100.0

For the periods ended December 31, 2020 and 2019, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2020

**Management fees and administration fees
(see note 8 in the generic notes)**

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 NAV of each series of the Fund.

	Management fees	Administration fees
Series A	2.00%	0.02%
Series F	1.00%	0.02%
Series N	1.00%	0.02%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

**Investments by related parties
(\$000s except unit amounts)**

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2020	December 31 2019
Units held		
Series A	57	56
Series F	60	59
Series O	61	60
Value of all units	1	1

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2020		December 31 2019	
	NAV	Ownership	NAV	Ownership
RBC QUBE Market Neutral				
World Equity Fund	97.3	81.7	98.4	83.2

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses as at December 31, 2020 for the Fund were approximately:

Capital losses	16 762
Non-capital losses	654
Non-capital losses expire in:	
2039	654

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2020	2019
Series A		
Opening units	58	106
Issued number of units	—	—
Reinvested number of units	1	—
Redeemed number of units	(22)	(48)
Ending number of units	37	58
Series F		
Opening units	2 837	9 764
Issued number of units	282	1 250
Reinvested number of units	30	—
Redeemed number of units	(2 302)	(8 177)
Ending number of units	847	2 837

Series N		
Opening units	3 286	3 201
Issued number of units	1	85
Reinvested number of units	45	—
Redeemed number of units	(930)	—
Ending number of units	2 402	3 286

Series O		
Opening units	1 589	3 003
Issued number of units	—	249
Reinvested number of units	11	—
Redeemed number of units	(1 462)	(1 663)
Ending number of units	138	1 589

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2020	December 31 2019
RBC Multi-Strategy Alpha Fund	70.3	42.2



December 31, 2020

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2020	Assets	Liabilities
Gross amounts – assets (liabilities)	649	(56)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	649	(56)
Related amounts not set-off	(56)	56
Collateral (received) pledged	–	–
Net amount	593	–

December 31, 2019	Assets	Liabilities
Gross amounts – assets (liabilities)	1 220	(176)
Amounts set-off in the		
Statements of Financial Position	–	–
Net amounts presented in the		
Statements of Financial Position	1 220	(176)
Related amounts not set-off	(127)	127
Collateral (received) pledged	–	–
Net amount	1 093	(49)

December 31, 2020

1. The Funds

The funds ("Fund" or "Funds") are open-ended mutual fund trusts governed by the laws of the Province of British Columbia or Ontario and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 11, 2021.

The Funds may issue an unlimited number of units in some or all of Series A, Series I, Series N, Series F, Series O and Series P.

Series A, Series I, Series F and Series O units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series N and Series P units are only available to related funds. Series O units may only be purchased, switched or redeemed through RBC GAM or in certain circumstances, Phillips, Hager & North Investment Funds Ltd.

2. Financial year

The information provided in these financial statements and notes thereto is as at December 31, 2020 and December 31, 2019, as applicable, and for the 12-month periods ended December 31, 2020 and December 31, 2019, as applicable, except for Funds or series established during either period, in which case the information for the Fund, or series, is provided for the period from the start date as described in the Notes to Financial Statements – Fund Specific Information of the Fund.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies of the Funds are as follows:

Classification and Measurement of Financial Assets, Liabilities and Derivatives Each of the Funds classify their investment portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets and liabilities is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds' debt securities that are solely principal and interest are

neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds' business model objectives. Consequently, all investments are measured at fair value through profit and loss ("FVTPL"). Derivative assets and liabilities are also measured at FVTPL.

The Funds' obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

Offsetting Financial Assets and Liabilities In the normal course of business, the Funds may enter into various International Swaps and Derivatives Association master netting agreements or other similar arrangements with certain counterparties that allow for related amounts to be offset in certain circumstances, such as bankruptcy or termination of contracts. Offsetting information, where applicable, is presented in the Notes to Financial Statements – Fund Specific Information.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds and exchange-traded funds ("ETFs") managed by the manager or an affiliate of the manager ("sponsored funds") and may invest in other funds and ETFs managed by unaffiliated entities ("unsponsored funds"); collectively, "underlying funds." The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of the offering documents of the respective underlying funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds' objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

December 31, 2020

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective underlying funds' NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in "Investments at fair value" in the Funds' Statements of Financial Position. The change in fair value of the investment held in the underlying funds is included in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on

inputs is used to value the Funds' financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices and vendor fair value factors; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The three-tier hierarchy of investments and derivatives is included in Notes to Financial Statements – Fund Specific Information.

Investments and derivatives are recorded at fair value, which is determined as follows:

Equities – Common shares and preferred shares are valued at the closing price as recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities, loans, debentures and other debt securities are valued at the mid price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at cost plus accrued interest, which approximates fair value.

Options – Options give the purchaser the right, but not the obligation, to buy (call) or sell (put) an underlying security or financial instrument at an agreed exercise or strike price during the specified period or on a specified date.

Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

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Options purchased and options written (sold) are recorded as investments in the Statements of Financial Position. These investments are reported at fair value in the Statements of Financial Position, and unrealized gain or loss at the close of business on each valuation date is recorded in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

When an option is exercised and the underlying securities are acquired or delivered, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed the Fund will realize a gain or loss equal to the difference between the premium and the cost to close the position. When an option expires, gains or losses are realized equivalent to the amount of premiums received or paid, respectively. The net realized gains (losses) on written and purchased options are included in the Statements of Comprehensive Income in "Net realized gain (loss) on investments."

Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Any unrealized gain or loss at the close of business on each valuation date is recorded as "Change in unrealized gain (loss) on investments" and realized gain or loss on foreign exchange contracts and realized gain or loss on bond forwards are included in "Derivative income" in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as "Derivative income" in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Total Return Swaps – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in "Derivative income" in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as "Receivable on open swap contracts" or "Payable on open swap contracts" in the Statements of Financial Position, as applicable. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Interest Rate Swap Contracts – Interest rate swaps are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as "Interest for distribution purposes" in the Statements of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as an asset or liability in the Statements of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as "Derivative income" in the Statements of Comprehensive Income. Interest rate swap contracts are valued based upon quotations from independent sources.

Credit Default Swap Contracts – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees paid or received are recorded as "Interest for distribution purposes" in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as "Derivative income" in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

December 31, 2020

Cross-Currency Swaps – A cross-currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross-currency swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position. The risks of cross-currency swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Securities Sold Short – Certain Funds may enter into short sales transactions. Short sales are transactions in which a Fund sells an investment that it may not own. A Fund may make short sales of investments (i) to offset potential declines in long positions in similar securities, (ii) to increase the flexibility of the Fund, (iii) for investment return, (iv) as part of a risk arbitrage strategy, and (v) as part of its overall portfolio management strategies involving the use of derivative instruments. When a Fund engages in a short sale, it may borrow the security sold short and deliver it to the counterparty. Securities sold short are reflected as “Investments in securities sold short” on the Statements of Financial Position. A Fund will ordinarily have to pay a fee or premium to borrow a security and be obligated to repay the lender of the security any dividend or interest that accrues on the security during the period of the loan. Such fees payable, as applicable, are reflected as “Stock loan fee payable” on the Statements of Financial Position. The fee incurred is reflected as “Stock loan fee” on the Statements of Comprehensive Income. Dividends payable on such securities, as applicable, are reflected as “Dividends payable on short sales” on the Statements of Financial Position. Dividends on such investments, if any, are reflected as “Dividends on short sales” on the Statements of Comprehensive Income.

Underlying Funds – Underlying funds that are not exchange-traded funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates

and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Procedures are in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

Management also has procedures where the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee (“VC”) of the manager and are approved by the manager. The VC provides oversight of the Funds’ valuation policies and procedures.

Cash Cash is comprised of cash and deposits with banks and is recorded at amortized cost. The carrying amount of cash approximates its fair value because it is short term in nature.

Margin Margin accounts represent margin deposits held with brokers in respect of derivatives contracts.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. BlueBay Canadian Institutional Global High Yield Bond Fund (renamed BlueBay \$U.S. Global High Yield Bond Fund (Canada)), RBC Alpha Plus U.S. Equity Fund and RBC QUBE Market Neutral World Equity Fund (collectively, the “USD Funds”) have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

December 31, 2020

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the USD Funds) at the rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in “Net gain (loss) on foreign cash balances” in the Statements of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses on spot and forward currency contracts are included in “Derivative income” in the Statements of Comprehensive Income.

Valuation of Series A different NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Stock loan fees and transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Income from investment trusts” includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as “Interest expense” in the Statements of Comprehensive Income.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to

holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Prepaid Subscriptions Prepaid subscriptions represent amounts received from unitholders for subscriptions with an effective date after the period end date.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

AUD – Australian dollar	JPY – Japanese yen
CAD – Canadian dollar	MXN – Mexican peso
CHF – Swiss franc	NZD – New Zealand dollar
DKK – Danish krone	SEK – Swedish krona
EUR – Euro	SGD – Singapore dollar
GBP – Pound sterling	USD – United States dollar
HKD – Hong Kong dollar	ZAR – South African rand
ILS – Israeli new shekel	

4. Critical accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying the Funds’ accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

Fair value measurement of securities not quoted in an active market

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds’ assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

5. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund’s capital, which is its NAV and consists primarily of its financial instruments.

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A Fund's investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio managers, daily monitoring of the Fund's holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

The financial markets experienced significant volatility as a result of the developing COVID-19 global pandemic. The effects of the pandemic and its impact on individual companies, nations and the market in general can not necessarily be foreseen at the present time and may have an adverse impact on the financial performance of the Funds. The impact of the pandemic may be short-term or may last for an extended period of time.

Financial instrument risk, as applicable to a Fund, is disclosed in its Notes to Financial Statements – Fund Specific Information. These risks include a Fund's direct risks and pro rata exposure to the risks of underlying funds, as applicable.

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund may be exposed to daily, weekly or monthly cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and

forward-looking information in determining any expected credit loss. All other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls. The currency risk as disclosed in the Fund Specific Information in the

December 31, 2020

Notes to Financial Statements represents the monetary and non-monetary foreign exchange exposure of a Fund.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

Short sales entail certain risks, including the risk that a short sale of a security may expose a Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by a Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by a Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by a Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of a Fund, the Manager may be required to buy or sell short securities at unattractive prices. The maximum risk resulting for financial instruments held long is determined by the fair value of the instrument.

6. Taxes

The Funds qualify as mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed. It is the intention of the Funds to pay out all

net income and realized capital gains each year so that the Funds will not be subject to income taxes. Accordingly, no provision for income taxes is recorded.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

8. Administrative and other related-party transactions

Manager and Portfolio Manager

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. The management fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, statements and investor communications.

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Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Independent Review Committee of the Funds and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, “other fund costs”), and taxes (including, but not limited to, GST/HST). Effective January 1, 2020, RBC GAM, not the Funds, is responsible for the costs related to annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee. The Funds will continue to be responsible for paying any Independent Review Committee costs that are not related to annual fees, meeting fees and reimbursement for expenses to members of the Independent Review Committee. Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates (“underlying funds”). A Fund will not invest in units of an underlying fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund’s ownership interest in underlying funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Funds, 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 Funds also maintain 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 Funds in the course of their normal business,

all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Distributors

RBC GAM and RBC Dominion Securities Inc. are principal distributors of, or may distribute certain series of units of, the Funds.

Sub-Advisors

BlueBay Asset Management LLP is the sub-advisor of the BlueBay High Grade CLO Fund (CAD Hedged) and the BlueBay Canadian Institutional Global High Yield Bond Fund (renamed BlueBay \$U.S. Global High Yield Bond Fund (Canada)).

The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. The sub-advisor is paid by the manager from the management fee paid by the Funds.

Trustee

RBC GAM or RBC IS is the trustee of the Funds and holds title to the Funds’ property on behalf of unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Custodian

Unless specifically addressed in the Fund Specific Information, RBC IS is custodian of the Funds and holds the assets of the Funds. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

Registrars

RBC GAM and RBC IS are the registrars of the Funds and keep records of who owns units of the Funds. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Brokers and Dealers

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

Securities Lending Agent

To the extent a 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.

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Other Related-Party Transactions

RBC GAM has obtained relief from applicable securities legislation to engage in the types of transactions described below on behalf of the Funds. The Funds may rely on certain of this relief from time to time.

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) 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
- (c) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The Independent Review Committee has, pursuant to its mandate to review certain transactions on behalf of the Funds, approved standing instructions in respect of the Related-Party Trading Activities. These standing instructions require that Related-Party Trading Activities 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 Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds.

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the funds (the "Funds") whose financial statements accompany this letter and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



Damon G. Williams, FSA, FCIA, CFA
Chief Executive Officer
RBC Global Asset Management Inc.

March 10, 2022



Heidi Johnston, CPA, CA
Chief Financial Officer
RBC GAM Funds

To the Unitholders and Trustee of

Phillips, Hager & North Institutional S.T.I.F.	Phillips, Hager & North PRisM Long Corporate Bond Trust	BlueBay Total Return Credit Fund (Canada)
Phillips, Hager & North Short Investment Grade Corporate Bond Trust	Phillips, Hager & North Long Mortgage Pension Trust	BlueBay High Grade CLO Fund (CAD Hedged)
Phillips, Hager & North Short Core Plus Bond Fund	Phillips, Hager & North Conventional Plus Mortgage Fund (formerly, Phillips, Hager & North Strategic Mortgage Fund)	Phillips, Hager & North PRisM Balanced Fund
Phillips, Hager & North Municipal Plus Bond Fund	Phillips, Hager & North High Yield Mortgage Fund	Phillips, Hager & North Enhanced Long Government Bond Fund
Phillips, Hager & North Mortgage Pension Trust	Phillips, Hager & North Infrastructure Debt Fund	Phillips, Hager & North Enhanced PRisM Long Fund
Phillips, Hager & North Investment Grade Corporate Bond Trust	Phillips, Hager & North Long Bond Pension Trust	Phillips, Hager & North Absolute Return Fund
Phillips, Hager & North U.S. Investment Grade Corporate Bond Trust (CAD Hedged)	Phillips, Hager & North Enhanced Long Bond Pension Trust	RBC Multi-Strategy Alpha Fund
Phillips, Hager & North PRisM – Short	Phillips, Hager & North Long Core Plus Bond Fund	RBC QUBE Market Neutral Canadian Equity Fund
Phillips, Hager & North Enhanced Total Return Bond Fund	Phillips, Hager & North PRisM – Mid	RBC Fundamental Minimum Volatility Canadian Equity Fund
Phillips, Hager & North Corporate Bond Trust	Phillips, Hager & North PRisM – Long	Phillips, Hager & North Institutional Gold & Precious Metals Fund
Phillips, Hager & North Enhanced Corporate Bond Trust	Phillips, Hager & North 20+ Strip Fund	RBC Canadian Preferred Share Fund
Phillips, Hager & North Private Placement Corporate Debt Fund	Phillips, Hager & North Custom Interest Rate Overlay Fund	RBC Long/Short North American Equity Fund
Phillips, Hager & North Core Plus Bond Fund	Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund I	RBC Alpha Plus U.S. Equity Fund
Phillips, Hager & North Multi-Strategy Credit Fund	Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund II	RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
Phillips, Hager & North Long Municipal Plus Bond Fund	Canadian Custom Long Term Fixed Income Fund	RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
Phillips, Hager & North Long Investment Grade Corporate Bond Trust	Phillips, Hager & North Synthetic Floating Rate Fund	RBC QUBE Stable Dividend Global Equity Fund (CAD Hedged)
Phillips, Hager & North Long Corporate Bond Trust	Phillips, Hager & North PRisM Levered Government Bond Fund	RBC Global Equity Focus Pension Trust
		RBC QUBE Custom Global Equity Fund

(individually, a Fund)

Our opinion

In our opinion, the accompanying December 31, 2021 financial statements of each Fund present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows as at and for the periods indicated in note 2 in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of each Fund comprise:

- the statements of financial position as at the period-end dates indicated in note 2;
- the statements of comprehensive income for the periods indicated in note 2;
- the statements of cash flow for the periods indicated in note 2;
- the statements of changes in net assets attributable to holders of redeemable units (NAV) for the periods indicated in note 2; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 10, 2022



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2021

Holdings	Security	Cost	Fair Value	% of Net Assets
UNDERLYING FUNDS				
1 477 125	RBC QUBE Market Neutral World Equity Fund – Series O*	\$ 18 820	\$ 16 637	
TOTAL UNDERLYING FUNDS		18 820	16 637	100.0
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	88	0.5
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		–	(156)	(0.9)
TOTAL PORTFOLIO		<u>\$ 18 820</u>	16 569	99.6
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			63	0.4
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
		<u>\$ 16 632</u>		100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain
Bought CAD 250 Sold USD 196 @ 1.2781	03-Feb-2022	\$ 3
Bought CAD 170 Sold USD 133 @ 1.2819	17-Feb-2022	2
Bought CAD 3 453 Sold USD 2 706 @ 1.2762	03-Mar-2022	32
Bought CAD 4 061 Sold USD 3 178 @ 1.2780	17-Mar-2022	42
Bought CAD 755 Sold USD 590 @ 1.2805	24-Mar-2022	9
		<u>\$ 88</u>

Contracts	Maturity Date	Unrealized Loss
Bought CAD 3 150 Sold USD 2 546 @ 1.2374	27-Jan-2022	\$ (69)
Bought CAD 3 135 Sold USD 2 532 @ 1.2379	03-Feb-2022	(67)
Bought CAD 1 585 Sold USD 1 266 @ 1.2521	17-Feb-2022	(16)
Bought USD 157 Sold CAD 200 @ 0.7834	03-Mar-2022	(2)
Bought USD 66 Sold CAD 85 @ 0.7728	17-Mar-2022	(2)
		<u>\$ (156)</u>
TOTAL FOREIGN EXCHANGE		<u>\$ (68)</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2021	December 31 2020
ASSETS		
Investments at fair value	\$ 16 637	\$ 25 170
Cash	95	190
Due from investment dealers	—	4 201
Unrealized gain on foreign exchange contracts	88	649
TOTAL ASSETS	16 820	30 210
LIABILITIES		
Redemptions payable	16	4 255
Unrealized loss on foreign exchange contracts	156	56
Accounts payable and accrued expenses	16	30
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	188	4 341
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 16 632	\$ 25 869
Investments at cost	\$ 18 820	\$ 32 805
NAV		
SERIES A	\$ 261	\$ 250
SERIES F	\$ 1 471	\$ 6 353
SERIES N	\$ 14 226	\$ 18 177
SERIES O	\$ 674	\$ 1 089
NAV PER UNIT		
SERIES A	\$ 7.61	\$ 6.78
SERIES F	\$ 8.51	\$ 7.50
SERIES N	\$ 8.59	\$ 7.57
SERIES O	\$ 9.04	\$ 7.88

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2021	2020
INCOME (see note 3 in the generic notes)		
Income from investment trusts	\$ —	\$ 822
Derivative income (loss)	818	(474)
Net realized gain (loss) on investments	(3 040)	(6 744)
Change in unrealized gain (loss) on investments	4 791	3 799
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	2 569	(2 597)
Other income (loss)	2	—
Net gain (loss) on foreign cash balances	26	(96)
TOTAL OTHER INCOME (LOSS)	28	(96)
TOTAL INCOME (LOSS)	2 597	(2 693)
EXPENSES (see notes – Fund Specific Information)		
Management fees	198	417
Administration fees	5	8
GST/HST	20	50
TOTAL EXPENSES	223	475
INCREASE (DECREASE) IN NAV	\$ 2 374	\$ (3 168)
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 29	\$ (29)
SERIES F	\$ 580	\$ (1 295)
SERIES N	\$ 1 669	\$ (1 765)
SERIES O	\$ 96	\$ (79)
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.83	\$ (0.65)
SERIES F	\$ 0.92	\$ (0.63)
SERIES N	\$ 0.93	\$ (0.59)
SERIES O	\$ 1.11	\$ (0.15)



Statements of Cash Flow *(in \$000s)*

For the periods ended December 31
(see note 2 in the generic notes)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 2 374	\$ (3 168)
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash dividends	—	—
Non-cash distributions from underlying funds	—	(822)
Net realized loss (gain) on investments	3 040	6 744
Change in unrealized loss (gain) on investments	(4 791)	(3 799)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	(14)	(28)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased*	(872)	(3 282)
Proceeds from sale and maturity of investments*	16 018	36 300
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	15 755	31 945
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units*	444	2 280
Cash paid on redemption of redeemable units*	(16 294)	(34 174)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (15 850)	\$ (31 894)
Net increase (decrease) in cash for the period	(95)	51
Cash (bank overdraft), beginning of period	190	139
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 95	\$ 190
Interest received (paid) [†]	\$ —	\$ —
Income from investment trusts received (paid) ^{†‡}	\$ —	\$ —
Dividends received (paid) ^{†‡}	\$ —	\$ —

* Excludes in-kind transactions.

[†] Classified as part of operating activities.

[‡] Net of withholding taxes, if applicable.



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

Statements of Changes in NAV *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Series F		Series N	
	2021	2020	2021	2020	2021	2020
NAV AT BEGINNING OF PERIOD	\$ 250	\$ 437	\$ 6 353	\$ 23 498	\$ 18 177	\$ 27 457
INCREASE (DECREASE) IN NAV	29	(29)	580	(1 295)	1 669	(1 765)
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	—	—	75	2 278	365	—
Reinvestments of distributions to holders of redeemable units	—	4	—	241	—	370
Redemption of redeemable units	(18)	(158)	(5 537)	(18 128)	(5 985)	(7 515)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(18)	(154)	(5 462)	(15 609)	(5 620)	(7 145)
Distributions from net income	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	(4)	—	(241)	—	(370)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	(4)	—	(241)	—	(370)
NET INCREASE (DECREASE) IN NAV	11	(187)	(4 882)	(17 145)	(3 951)	(9 280)
NAV AT END OF PERIOD	\$ 261	\$ 250	\$ 1 471	\$ 6 353	\$ 14 226	\$ 18 177

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2021	2020	2021	2020
NAV AT BEGINNING OF PERIOD	\$ 1 089	\$ 13 708	\$ 25 869	\$ 65 100
INCREASE (DECREASE) IN NAV	96	(79)	2 374	(3 168)
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	4	2	444	2 280
Reinvestments of distributions to holders of redeemable units	—	92	—	707
Redemption of redeemable units	(515)	(12 542)	(12 055)	(38 343)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(511)	(12 448)	(11 611)	(35 356)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	(92)	—	(707)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	(92)	—	(707)
NET INCREASE (DECREASE) IN NAV	(415)	(12 619)	(9 237)	(39 231)
NAV AT END OF PERIOD	\$ 674	\$ 1 089	\$ 16 632	\$ 25 869



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2021

General information (see note 1 in the generic notes)

The Fund seeks to provide consistent absolute returns that are substantially independent of the performance of the global equity market by investing primarily in units of the RBC QUBE Market Neutral World Equity Fund, while seeking to minimize exposure to currency fluctuations between the U.S. and Canadian dollars through the use of derivatives.

**Financial instrument risk and capital management
(see note 5 in the generic notes)**

The Fund invests primarily in the RBC QUBE Market Neutral World Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2021	December 31 2020
Investment mix		
Sweden	5.1	0.9
Australia	4.9	—
Norway	3.9	(0.3)
Netherlands	3.7	(1.8)
Hong Kong	1.9	(0.4)
Italy	1.8	1.3
Brazil	1.6	3.2
South Korea	1.6	1.5
Denmark	1.3	5.2
Israel	1.3	—
United States	0.7	(2.0)
China	0.4	(0.3)
Poland	0.4	0.2
South Africa	0.4	2.2
Finland	0.3	3.2
Spain	0.3	(1.1)
Austria	0.2	—
Mexico	0.2	(1.0)
Czech Republic	0.1	—
New Zealand	—	1.5
Argentina	(0.1)	—
Canada	(2.4)	(0.1)
Switzerland	(2.4)	5.9
France	(2.7)	(5.8)
Belgium	(2.9)	(2.2)
Japan	(3.5)	(5.0)
Germany	(4.4)	—

	December 31 2021	December 31 2020
Investment mix		
United Kingdom	(4.7)	(2.9)
Singapore	(4.9)	(2.6)
Cash/Other	97.9	100.4
Total	100.0	100.0

Currency risk (% of NAV)

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Other price risk (% impact on NAV)

The table below shows the impact of a 10% change in the broad-based index (noted below) on the Fund's NAV, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2021	December 31 2020
MSCI World Total Return Net Index (hedged to CAD)	+ or - -0.5	+ or - -0.6

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts)
(see note 3 in the generic notes)**

The following is a summary of the inputs used as of December 31, 2021 and 2020.

December 31, 2021	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	16 637	—	—	16 637
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	88	—	88
Derivatives – liabilities	—	(156)	—	(156)
Total financial instruments	16 637	(68)	—	16 569
% of total portfolio	100.4	(0.4)	—	100.0

December 31, 2020	Level 1	Level 2	Level 3	Total
Equities	—	—	—	—
Underlying funds	25 170	—	—	25 170
Fixed-income				
and debt securities	—	—	—	—
Short-term investments	—	—	—	—
Derivatives – assets	—	649	—	649
Derivatives – liabilities	—	(56)	—	(56)
Total financial instruments	25 170	593	—	25 763
% of total portfolio	97.7	2.3	—	100.0



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2021

For the periods ended December 31, 2021 and 2020, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**Management fees and administration fees
(see note 8 in the generic notes)**

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 NAV of each series of the Fund.

	Management fees	Administration fees
Series A	2.00%	0.02%
Series F	1.00%	0.02%
Series N	1.00%	0.02%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

**Investments by related parties
(\$000s except unit amounts)**

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2021	December 31 2020
Units held		
Series A	57	57
Series F	60	60
Series O	61	61
Value of all units	1	1

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2021		December 31 2020	
	NAV	Ownership	NAV	Ownership
RBC QUBE Market Neutral				
World Equity Fund	100.0	72.6	97.3	81.7

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses for the Fund were approximately:

As at December 31, 2021

Capital losses	19 974
Non-capital losses	874
Non-capital losses expire in:	
2041	220
2040	654

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

	2021	2020
Series A		
Opening units	37	58
Issued number of units	—	—
Reinvested number of units	—	1
Redeemed number of units	(3)	(22)
Ending number of units	34	37
Series F		
Opening units	847	2 837
Issued number of units	9	282
Reinvested number of units	—	30
Redeemed number of units	(683)	(2 302)
Ending number of units	173	847
Series N		
Opening units	2 402	3 286
Issued number of units	44	1
Reinvested number of units	—	45
Redeemed number of units	(790)	(930)
Ending number of units	1 656	2 402
Series O		
Opening units	138	1 589
Issued number of units	1	—
Reinvested number of units	—	11
Redeemed number of units	(64)	(1 462)
Ending number of units	75	138

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2021	December 31 2020
RBC Multi-Strategy Alpha Fund	85.5	70.3



December 31, 2021

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2021	Assets	Liabilities
Gross amounts – assets (liabilities)	88	(156)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	88	(156)
Related amounts not set-off	(9)	9
Collateral (received) pledged	–	–
Net amount	79	(147)

December 31, 2020	Assets	Liabilities
Gross amounts – assets (liabilities)	649	(56)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	649	(56)
Related amounts not set-off	(56)	56
Collateral (received) pledged	–	–
Net amount	593	–

December 31, 2021

1. The Funds

The funds ("Fund" or "Funds") are open-ended mutual fund trusts governed by the laws of the Province of British Columbia or Ontario and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. RBC GAM is also the trustee of those Funds governed by the laws of the Province of Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 10, 2022.

The Funds may issue an unlimited number of units in some or all of Series A, Series I, Series N, Series F, Series O, Series OL and Series P.

Series A, Series I, Series F, Series O and Series OL units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series N and Series P units are only available to related funds. Series O and Series OL units may only be purchased, switched or redeemed through RBC GAM or in certain circumstances, Phillips, Hager & North Investment Funds Ltd.

2. Financial year

The information provided in these financial statements and notes thereto is as at December 31, 2021 and December 31, 2020, as applicable, and for the 12-month periods ended December 31, 2021 and December 31, 2020, as applicable, except for Funds or series established during either period, in which case the information for the Fund, or series, is provided for the period from the start date as described in the Notes to Financial Statements – Fund Specific Information of the Fund.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies of the Funds are as follows:

Classification and Measurement of Financial Assets, Liabilities and Derivatives Each of the Funds classifies its investment portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets and liabilities is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds' debt securities that are solely principal and interest are

neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds' business model objectives. Consequently, all investments are measured at fair value through profit and loss ("FVTPL"). Derivative assets and liabilities are also measured at FVTPL.

The Funds' obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

Offsetting Financial Assets and Liabilities In the normal course of business, the Funds may enter into various International Swaps and Derivatives Association master netting agreements or other similar arrangements with certain counterparties that allow for related amounts to be offset in certain circumstances, such as bankruptcy or termination of contracts. Offsetting information, where applicable, is presented in the Notes to Financial Statements – Fund Specific Information.

Collateral received represents amounts held by a counterparty or custodian on behalf of the Funds and accordingly not presented in the Statements of Financial Position. Collateral pledged represents amounts held by the Funds' custodian/counterparty on behalf of the counterparty and can be in the form of cash and securities. Cash pledged as collateral is included in the Statements of Financial Position, while securities pledged as collateral are identified on the respective Fund's Schedule of Investment Portfolio.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds and exchange-traded funds ("ETFs") managed by the manager or an affiliate of the manager ("sponsored funds") and may invest in other funds and ETFs managed by unaffiliated entities ("unsponsored funds"); collectively, "underlying funds." The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of

December 31, 2021

the offering documents of the respective underlying funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds' objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective underlying funds' NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in "Investments at fair value" in the Funds' Statements of Financial Position. The change in fair value of the investment held in the underlying funds is included in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and

student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds' financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices, vendor fair value factors and prices of underlying funds that are not daily traded; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The three-tier hierarchy of investments and derivatives is included in Notes to Financial Statements – Fund Specific Information.

Investments and derivatives are recorded at fair value, which is determined as follows:

Equities – Common shares and preferred shares are valued at the closing price as recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities, loans, debentures and other debt securities are valued at the mid price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

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Short-Term Investments – Short-term investments are valued at cost plus accrued interest, which approximates fair value.

Options – Options give the purchaser the right, but not the obligation, to buy (call) or sell (put) an underlying security or financial instrument at an agreed exercise or strike price during the specified period or on a specified date.

Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Options purchased and options written (sold) are recorded as investments in the Statements of Financial Position. These investments are reported at fair value in the Statements of Financial Position, and unrealized gain or loss at the close of business on each valuation date is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income.

When an option is exercised and the underlying securities are acquired or delivered, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed the Fund will realize a gain or loss equal to the difference between the premium and the cost to close the position. When an option expires, gains or losses are realized equivalent to the amount of premiums received or paid, respectively. The net realized gains (losses) on written and purchased options are included in the Statements of Comprehensive Income in “Net realized gain (loss) on investments.”

Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Any unrealized gain or loss at the close of business on each valuation date is recorded as “Change in unrealized gain (loss) on investments” and realized gain or loss on foreign exchange contracts and realized gain or loss on bond forwards are included in “Derivative income (loss)” in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Derivative income (loss)” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Total Return Swaps – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income (loss)” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position, as applicable. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Interest Rate Swap Contracts – Interest rate swaps are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as an asset or liability in the Statements of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income (loss)” in the Statements of Comprehensive Income. Interest rate swap contracts are valued based upon quotations from independent sources.

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Credit Default Swap Contracts – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees paid or received are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income (loss)” in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

Cross-Currency Swaps – A cross-currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross-currency swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income (loss)” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position. The risks of cross-currency swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Securities Sold Short – Certain Funds may enter into short sales transactions. Short sales are transactions in which a Fund sells an investment that it may not own. A Fund may make short sales of investments (i) to offset potential declines in long positions in similar securities, (ii) to increase the flexibility of the Fund, (iii) for investment return, (iv) as part of a risk arbitrage strategy, and (v) as part of its overall portfolio management strategies involving the use of derivative instruments. When a Fund engages in a short sale, it may borrow the security sold short and deliver it to the counterparty. Securities sold short are reflected as “Investments in securities sold short” on the Statements of Financial Position. A Fund will ordinarily have to pay a fee or premium to borrow a security and be obligated to repay the lender of the security any dividend or interest that accrues on

the security during the period of the loan. Such fees payable, as applicable, are reflected as “Stock loan fee payable” on the Statements of Financial Position. The fee incurred is reflected as “Stock loan fee” on the Statements of Comprehensive Income. Dividends payable on such securities, as applicable, are reflected as “Dividends payable on short sales” on the Statements of Financial Position. Dividends on such investments, if any, are reflected as “Dividends on short sales” on the Statements of Comprehensive Income.

Underlying Funds – Underlying funds that are not exchange-traded funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Procedures are in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

Management also has procedures where the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee (“VC”) of the manager and are approved by the manager. The VC provides oversight of the Funds’ valuation policies and procedures.

Cash Cash is comprised of cash and deposits with banks and is recorded at amortized cost. The carrying amount of cash approximates its fair value because it is short term in nature.

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Margin Margin accounts represent margin deposits held with brokers in respect of derivatives contracts.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. RBC Alpha Plus U.S. Equity Fund and RBC QUBE Market Neutral World Equity Fund (collectively, the “USD Funds”) have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the USD Funds) at the rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in “Net gain (loss) on foreign cash balances” in the Statements of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses on spot and forward currency contracts are included in “Derivative income (loss)” in the Statements of Comprehensive Income.

Valuation of Series A different NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Stock loan fees and transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Income from investment trusts” includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as “Interest expense” in the Statements of Comprehensive Income.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Prepaid Subscriptions Prepaid subscriptions represent amounts received from unitholders for subscriptions with an effective date after the period end date.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

AUD – Australian dollar	HKD – Hong Kong dollar
CAD – Canadian dollar	JPY – Japanese yen
CHF – Swiss franc	SEK – Swedish krona
DKK – Danish krone	SGD – Singapore dollar
EUR – Euro	USD – United States dollar
GBP – Pound sterling	

In-Kind Transactions In accordance with IAS 7, the Funds exclude non-cash transactions from their operating and financing activities within the Statements of Cash Flow. The primary difference between amounts issued and redeemed within the Statements of Changes in NAV and the Statements of Cash Flow relates to in-kind transactions. Similarly, the “Cost of investments purchased” and “Proceeds from sale and maturity of investments” within the Statements of Cash Flow appropriately exclude these in-kind transactions.

4. Critical accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying the Funds' accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

Fair value measurement of securities not quoted in an active market

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds' assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

5. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund's capital, which is its NAV and consists primarily of its financial instruments.

A Fund's investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio managers, daily monitoring of the Fund's holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines and securities regulations.

The financial markets experienced significant volatility as a result of the developing COVID-19 global pandemic. The effects of the pandemic and its impact on individual companies, nations and the market in general can not necessarily be foreseen at the present time and may have an adverse impact on the financial performance of the Funds. The impact of the pandemic may be short-term or may last for an extended period of time.

In February 2022, Russian forces invaded Ukraine, resulting in an armed conflict and economic sanctions on Russia. Price volatility, trading restrictions, including the potential for extended halting of Russian market trading, and general default risk related to Russian securities may have an adverse impact on the financial performance of a Fund. The manager is actively monitoring the situation.

Financial instrument risk, as applicable to a Fund, is disclosed in its Notes to Financial Statements – Fund Specific Information. These risks include a Fund's direct risks and pro rata exposure to the risks of underlying funds, as applicable.

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund may be exposed to daily, weekly or monthly cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. All other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is

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based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Certain Funds trade in debt securities, some of which are variable rate and have an inter-bank linked interest rate. Such debt securities may potentially be transitioned to an alternative benchmark before the Funds dispose of their investments. The impact of this transition, if any, will be captured in the change in fair value of these investments and is not expected to be significant to each Fund.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls. The currency risk as disclosed in the Fund Specific Information in the Notes to Financial Statements represents the monetary and non-monetary foreign exchange exposure of a Fund.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

Short sales entail certain risks, including the risk that a short sale of a security may expose a Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by a Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by a Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by a Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of a Fund, the Manager may be required to buy or sell short securities at unattractive prices. The maximum risk resulting for financial instruments held long is determined by the fair value of the instrument.

6. Taxes

The Funds qualify as mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed. It is the intention of the Funds to pay out all net income and realized capital gains each year so that the Funds will not be subject to income taxes. Accordingly, no provision for income taxes is recorded.

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Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

8. Administrative and other related-party transactions

Manager and Portfolio Manager

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. The management fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. No management fees are paid by the Funds with respect to Series O and Series OL units. Series O and Series OL unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services. As described in the Notes to Financial Statements – Fund Specific Information of the Fund, for certain Funds, RBC GAM is also paid performance fees. Performance fees are calculated and accrued on the last business day of each month and are payable to RBC GAM on the last business day of each year prior to giving effect to redemptions on such date.

The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not

limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including any costs and expenses of the Independent Review Committee ("IRC") of the Funds that are not related to annual fees, meeting fees and reimbursement for expenses to members of the IRC, the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, "other fund costs"), and taxes (including, but not limited to, GST/HST). RBC GAM, not the Funds, is responsible for the costs related to annual fees, meeting fees and reimbursement for expenses to members of the IRC. Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates ("underlying funds"). A Fund will not invest in units of an underlying fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund's ownership interest in underlying funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Funds, 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 Funds also maintain bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide

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services to the Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Distributors

RBC GAM and RBC Dominion Securities Inc. are principal distributors of, or may distribute certain series of units of, the Funds.

Sub-Advisors

BlueBay Asset Management LLP is the sub-advisor of the BlueBay Total Return Credit Fund (Canada) and the BlueBay High Grade CLO Fund (CAD Hedged). RBC GAM U.K. Ltd. is the sub-advisor of the RBC Global Equity Focus Pension Trust.

The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. The sub-advisor is paid by the manager from the management fee paid by the Funds.

Trustee

RBC GAM is the trustee for the Funds governed by the laws of the Province of Ontario. RBC IS is the trustee for the Funds governed by the laws of the Province of British Columbia. The trustee holds title to the Funds' property on behalf of the unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Custodian

Unless specifically addressed in the Fund Specific Information, RBC IS is custodian of the Funds and holds the assets of the Funds. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

Registrars

RBC GAM and RBC IS are the registrars of the Funds and keep records of who owns units of the Funds. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Brokers and Dealers

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

Securities Lending Agent

To the extent a 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.

Mortgage Administrator Agent

Royal Bank administers mortgages on behalf of the Funds. Royal Bank earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Other Related-Party Transactions

Pursuant to applicable exemptive relief, the Funds relied on the standing instructions from the IRC with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) 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

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

In addition, the Funds relied on standing instructions with respect to investments in 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 ("Related-Party Underwriting Activities").

These standing instructions require that the above transactions be conducted in accordance with RBC GAM policy and that RBC GAM advise the IRC of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities or Related-Party Underwriting 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 Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the funds (the "Funds") whose financial statements accompany this letter and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



Damon G. Williams, FSA, FCIA, CFA
Chief Executive Officer
RBC Global Asset Management Inc.

March 9, 2023



Heidi Johnston, CPA, CA
Chief Financial Officer
RBC GAM Funds

To the Unitholders and Trustee of

Phillips, Hager & North Institutional S.T.I.F.	Phillips, Hager & North PRisM Long Corporate Bond Trust	BlueBay High Yield Asset-Backed Credit Fund (Canada) (formerly, BlueBay High Yield Structured Credit Fund (Canada))
Phillips, Hager & North Short Investment Grade Corporate Bond Trust	Phillips, Hager & North Long Mortgage Pension Trust	BlueBay High Grade CLO Fund (CAD Hedged)
Phillips, Hager & North Short Core Plus Bond Fund	Phillips, Hager & North Conventional Plus Mortgage Fund	Phillips, Hager & North PRisM Balanced Fund
Phillips, Hager & North Municipal Plus Bond Fund	Phillips, Hager & North High Yield Mortgage Fund	Phillips, Hager & North Enhanced Long Government Bond Fund
Phillips, Hager & North Mortgage Pension Trust	Phillips, Hager & North Infrastructure Debt Fund	Phillips, Hager & North Enhanced PRisM Long Fund
BlueBay CMBS Opportunities Fund (Canada)	Phillips, Hager & North Long Bond Pension Trust	Phillips, Hager & North Absolute Return Fund
RBC Commercial Mortgage Fund	Phillips, Hager & North Enhanced Long Bond Pension Trust	RBC Multi-Strategy Alpha Fund
RBC Vision Future Solutions Bond Fund	Phillips, Hager & North Long Core Plus Bond Fund	RBC QUBE Market Neutral Canadian Equity Fund
Phillips, Hager & North Investment Grade Corporate Bond Trust	Phillips, Hager & North PRisM – Mid	Phillips, Hager & North Long/Short Canadian Equity Fund
Phillips, Hager & North U.S. Investment Grade Corporate Bond Trust (CAD Hedged)	Phillips, Hager & North PRisM – Long	RBC Fundamental Minimum Volatility Canadian Equity Fund
Phillips, Hager & North PRisM – Short	Phillips, Hager & North 20+ Strip Fund	Phillips, Hager & North Institutional Gold & Precious Metals Fund
Phillips, Hager & North Enhanced Total Return Bond Fund	Phillips, Hager & North Custom Interest Rate Overlay Fund	RBC Canadian Preferred Share Fund
Phillips, Hager & North Corporate Bond Trust	Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund I	RBC Long/Short North American Equity Fund
Phillips, Hager & North Enhanced Corporate Bond Trust	Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund II	RBC Alpha Plus U.S. Equity Fund
Phillips, Hager & North Private Placement Corporate Debt Fund	Canadian Custom Long Term Fixed Income Fund	RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
Phillips, Hager & North Core Plus Bond Fund	Phillips, Hager & North Synthetic Floating Rate Fund	RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
Phillips, Hager & North Multi-Strategy Credit Fund	Phillips, Hager & North PRisM Levered Government Bond Fund	RBC Global Equity Focus Pension Trust
Phillips, Hager & North Long Municipal Plus Bond Fund	BlueBay Total Return Credit Fund (Canada)	RBC QUBE Custom Global Equity Fund
Phillips, Hager & North Long Investment Grade Corporate Bond Trust	BlueBay Event Driven Credit Fund (Canada)	
Phillips, Hager & North Long Corporate Bond Trust		(individually, a Fund)

Our opinion

In our opinion, the accompanying December 31, 2022 financial statements of each Fund present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows as at and for the periods indicated in note 2 in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of each Fund comprise:

- the statements of financial position as at the period-end dates indicated in note 2;
- the statements of comprehensive income for the periods indicated in note 2;
- the statements of cash flow for the periods indicated in note 2;
- the statements of changes in net assets attributable to holders of redeemable units (NAV) for the periods indicated in note 2; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 16, 2023



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)
**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2022

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
UNDERLYING FUNDS				
RBC QUBE Market Neutral World Equity Fund – Series O*	1 815 987	22 890	24 718	
TOTAL UNDERLYING FUNDS		22 890	24 718	99.8
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	58	0.2
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		—	(160)	(0.6)
TOTAL PORTFOLIO		<u>22 890</u>	24 616	99.4
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			163	0.6
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>24 779</u>	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain (\$)
Bought CAD 4 275 Sold USD 3 152 @ 1.3538	02-Feb-2023	10
Bought CAD 350 Sold USD 258 @ 1.3538	02-Feb-2023	1
Bought CAD 5 071 Sold USD 3 713 @ 1.3533	09-Mar-2023	47
		<u>58</u>

Contracts	Maturity Date	Unrealized Loss (\$)
Bought CAD 4 226 Sold USD 3 136 @ 1.3538	26-Jan-2023	(19)
Bought CAD 4 865 Sold USD 3 663 @ 1.3537	09-Feb-2023	(93)
Bought CAD 5 750 Sold USD 4 284 @ 1.3536	16-Feb-2023	(48)
		<u>(160)</u>
TOTAL FOREIGN EXCHANGE		<u>(102)</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2022	December 31 2021
ASSETS		
Investments at fair value	\$ 24 718	\$ 16 637
Cash	188	95
Unrealized gain on foreign exchange contracts	58	88
TOTAL ASSETS	24 964	16 820
LIABILITIES		
Redemptions payable	–	16
Unrealized loss on foreign exchange contracts	160	156
Accounts payable and accrued expenses	25	16
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	185	188
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 24 779	\$ 16 632
Investments at cost	\$ 22 890	\$ 18 820
NAV		
SERIES A	\$ 231	\$ 261
SERIES F	\$ 8 159	\$ 1 471
SERIES N	\$ 15 482	\$ 14 226
SERIES O	\$ 907	\$ 674
NAV PER UNIT		
SERIES A	\$ 8.41	\$ 7.61
SERIES F	\$ 9.51	\$ 8.51
SERIES N	\$ 9.60	\$ 8.59
SERIES O	\$ 10.22	\$ 9.04

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2022	2021
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 2	\$ –
Derivative income (loss)	(1 403)	818
Net realized gain (loss) on investments	(10)	(3 040)
Change in unrealized gain (loss) on investments	3 977	4 791
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	2 566	2 569
Other income (loss)	–	2
Net gain (loss) on foreign cash balances	–	26
TOTAL OTHER INCOME (LOSS)	–	28
TOTAL INCOME (LOSS)	2 566	2 597
EXPENSES (see notes – Fund Specific Information)		
Management fees	204	198
Administration fees	6	5
GST/HST	21	20
TOTAL EXPENSES	231	223
INCREASE (DECREASE) IN NAV	\$ 2 335	\$ 2 374
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 27	\$ 29
SERIES F	\$ 562	\$ 580
SERIES N	\$ 1 656	\$ 1 669
SERIES O	\$ 90	\$ 96
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.80	\$ 0.83
SERIES F	\$ 1.02	\$ 0.92
SERIES N	\$ 1.01	\$ 0.93
SERIES O	\$ 1.15	\$ 1.11



Statements of Cash Flow (in \$000s)

For the periods ended December 31
(see note 2 in the generic notes)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 2 335	\$ 2 374
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Interest for distribution purposes	—	—
Non-cash dividends	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	10	3 040
Change in unrealized loss (gain) on investments	(3 977)	(4 791)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	9	(14)
(Increase) decrease in margin accounts	—	—
Cost of investments purchased*	(6 536)	(872)
Proceeds from sale and maturity of investments*	2 456	16 018
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(5 703)	15 755
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units*	7 043	444
Cash paid on redemption of redeemable units*	(1 247)	(16 294)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 5 796	\$ (15 850)
Net increase (decrease) in cash for the period	93	(95)
Cash (bank overdraft), beginning of period	95	190
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 188	\$ 95
Interest received (paid) [†]	\$ 2	\$ —
Income from investment trusts received (paid) ^{†‡}	\$ —	\$ —
Dividends received (paid) ^{†‡}	\$ —	\$ —

* Excludes in-kind transactions.

[†] Classified as part of operating activities.

[‡] Net of withholding taxes, if applicable.



**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

Statements of Changes in NAV *(in \$000s)*

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Series F		Series N	
	2022	2021	2022	2021	2022	2021
NAV AT BEGINNING OF PERIOD	\$ 261	\$ 250	\$ 1 471	\$ 6 353	\$ 14 226	\$ 18 177
INCREASE (DECREASE) IN NAV	27	29	562	580	1 656	1 669
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	35	—	6 783	75	—	365
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—
Redemption of redeemable units	(92)	(18)	(657)	(5 537)	(400)	(5 985)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(57)	(18)	6 126	(5 462)	(400)	(5 620)
Distributions from net income	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	(30)	11	6 688	(4 882)	1 256	(3 951)
NAV AT END OF PERIOD	\$ 231	\$ 261	\$ 8 159	\$ 1 471	\$ 15 482	\$ 14 226

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2022	2021	2022	2021
NAV AT BEGINNING OF PERIOD	\$ 674	\$ 1 089	\$ 16 632	\$ 25 869
INCREASE (DECREASE) IN NAV	90	96	2 335	2 374
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	225	4	7 043	444
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(82)	(515)	(1 231)	(12 055)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	143	(511)	5 812	(11 611)
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	233	(415)	8 147	(9 237)
NAV AT END OF PERIOD	\$ 907	\$ 674	\$ 24 779	\$ 16 632



December 31, 2022

General information (see note 1 in the generic notes)

The Fund seeks to provide consistent absolute returns that are substantially independent of the performance of the global equity market by investing primarily in units of the RBC QUBE Market Neutral World Equity Fund, while seeking to minimize exposure to currency fluctuations between the U.S. and Canadian dollars through the use of derivatives.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in the RBC QUBE Market Neutral World Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

Investment mix	December 31 2022	December 31 2021
Switzerland	4.9	(2.4)
China	4.8	0.4
Norway	4.5	3.9
Australia	3.9	4.9
Netherlands	3.2	3.7
France	2.4	(2.7)
Japan	0.8	(3.5)
Denmark	0.6	1.3
Hong Kong	0.3	1.9
Brazil	–	1.6
Israel	–	1.3
South Korea	–	1.6
United Kingdom	(0.6)	(4.7)
Germany	(1.3)	(4.4)
Finland	(1.7)	0.3
United States	(1.7)	0.7
Belgium	(2.1)	(2.9)
Italy	(2.8)	1.8
Spain	(3.4)	0.3
Sweden	(3.6)	5.1
Canada	(3.7)	(2.4)
Singapore	(4.9)	(4.9)
Other Countries	–	1.2
Cash/Other	100.4	97.9
Total	100.0	100.0

Currency risk (% of NAV)

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Other price risk (% impact on NAV)

The table below shows the impact of a 10% change in the broad-based index (noted below) on the Fund's NAV, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2022	December 31 2021
MSCI World Total Return Net Index (hedged to CAD)	+ or - -0.3	+ or - -0.5

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2022 and 2021.

December 31, 2022	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	24 718	–	–	24 718
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	58	–	58
Derivatives – liabilities	–	(160)	–	(160)
Total financial instruments	24 718	(102)	–	24 616
% of total portfolio	100.4	(0.4)	–	100.0

December 31, 2021	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	16 637	–	–	16 637
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	88	–	88
Derivatives – liabilities	–	(156)	–	(156)
Total financial instruments	16 637	(68)	–	16 569
% of total portfolio	100.4	(0.4)	–	100.0

For the periods ended December 31, 2022 and 2021, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2022

**Management fees and administration fees
(see note 8 in the generic notes)**

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 NAV of each series of the Fund.

	Management fees	Administration fees
Series A	2.00%	0.02%
Series F	1.00%	0.02%
Series N	1.00%	0.02%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

**Investments by related parties
(\$000s except unit amounts)**

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2022	December 31 2021
Units held		
Series A	57	57
Series F	60	60
Series O	61	61
Value of all units	2	1

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2022		December 31 2021	
	NAV	Ownership	NAV	Ownership
RBC QUBE Market Neutral				
World Equity Fund	99.7	80.7	100.0	72.6

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses for the Fund were approximately:

As at December 31, 2022	
Capital losses	21 222
Non-capital losses	1 102
Non-capital losses expire in:	
2042	229
2041	219
2040	654

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31 (see note 2 in the generic notes)	2022	2021
Series A		
Opening units	34	37
Issued number of units	4	–
Reinvested number of units	–	–
Redeemed number of units	(11)	(3)
Ending number of units	27	34
Series F		
Opening units	173	847
Issued number of units	759	9
Reinvested number of units	–	–
Redeemed number of units	(74)	(683)
Ending number of units	858	173
Series N		
Opening units	1 656	2 402
Issued number of units	–	44
Reinvested number of units	–	–
Redeemed number of units	(44)	(790)
Ending number of units	1 612	1 656
Series O		
Opening units	75	138
Issued number of units	22	1
Reinvested number of units	–	–
Redeemed number of units	(8)	(64)
Ending number of units	89	75

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2022	December 31 2021
RBC Multi-Strategy Alpha Fund	62.5	85.5



December 31, 2022

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2022	Assets	Liabilities
Gross amounts – assets (liabilities)	58	(160)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	58	(160)
Related amounts not set-off	–	–
Collateral (received) pledged	–	–
Net amount	58	(160)

December 31, 2021	Assets	Liabilities
Gross amounts – assets (liabilities)	88	(156)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	88	(156)
Related amounts not set-off	(9)	9
Collateral (received) pledged	–	–
Net amount	79	(147)

December 31, 2022

1. The Funds

The funds ("Fund" or "Funds") are open-ended mutual fund trusts governed by the laws of the Province of British Columbia or Ontario and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. RBC GAM is also the trustee of those Funds governed by the laws of the Province of Ontario. These financial statements were approved for issuance by the Board of Directors of RBC GAM on March 9, 2023.

The Funds may issue an unlimited number of units in some or all of Series A, Series I, Series N, Series F, Series O, Series OL and Series P.

Series A, Series I, Series F, Series O and Series OL units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series N and Series P units are only available to related funds. Series O and Series OL units may only be purchased, switched or redeemed through RBC GAM or in certain circumstances, Phillips, Hager & North Investment Funds Ltd.

2. Financial year

The information provided in these financial statements and notes thereto is as at December 31, 2022 and December 31, 2021, as applicable, and for the 12-month periods ended December 31, 2022 and December 31, 2021, as applicable, except for Funds or series established during either period, in which case the information for the Fund, or series, is provided for the period from the start date as described in the Notes to Financial Statements – Fund Specific Information of the Fund.

3. Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies of the Funds are as follows:

Classification and Measurement of Financial Assets, Liabilities and Derivatives Each of the Funds classifies its investment portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets and liabilities is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds' debt securities that are solely principal and interest are

neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds' business model objectives. Consequently, all investments are measured at fair value through profit and loss ("FVTPL"). Derivative assets and liabilities are also measured at FVTPL.

The Funds' obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost.

Offsetting Financial Assets and Liabilities In the normal course of business, the Funds may enter into various International Swaps and Derivatives Association master netting agreements or other similar arrangements with certain counterparties that allow for related amounts to be offset in certain circumstances, such as bankruptcy or termination of contracts. Offsetting information, where applicable, is presented in the Notes to Financial Statements – Fund Specific Information.

Collateral received represents amounts held by a counterparty or custodian on behalf of the Funds and accordingly not presented in the Statements of Financial Position. Collateral pledged represents amounts held by the Funds' custodian/counterparty on behalf of the counterparty and can be in the form of cash and securities. Cash pledged as collateral is included in the Statements of Financial Position, while securities pledged as collateral are identified on the respective Fund's Schedule of Investment Portfolio.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds and exchange-traded funds ("ETFs") managed by the manager or an affiliate of the manager ("sponsored funds") and may invest in other funds and ETFs managed by unaffiliated entities ("unsponsored funds"); collectively, "underlying funds." The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of

December 31, 2022

the offering documents of the respective underlying funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds' objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective underlying funds' NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in "Investments at fair value" in the Funds' Statements of Financial Position. The change in fair value of the investment held in the underlying funds is included in "Change in unrealized gain (loss) on investments" in the Statements of Comprehensive Income.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and

student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds' financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices, vendor fair value factors and prices of underlying funds that are not daily traded; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The three-tier hierarchy of investments and derivatives is included in Notes to Financial Statements – Fund Specific Information.

Investments and derivatives are recorded at fair value, which is determined as follows:

Equities – Common shares and preferred shares are valued at the closing price as recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities, loans, debentures and other debt securities are valued at the mid price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

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Short-Term Investments – Short-term investments are valued at cost plus accrued interest, which approximates fair value.

Options – Options give the purchaser the right, but not the obligation, to buy (call) or sell (put) an underlying security or financial instrument at an agreed exercise or strike price during the specified period or on a specified date.

Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Options purchased and options written (sold) are recorded as investments in the Statements of Financial Position. These investments are reported at fair value in the Statements of Financial Position, and unrealized gain or loss at the close of business on each valuation date is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income.

When an option is exercised and the underlying securities are acquired or delivered, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed the Fund will realize a gain or loss equal to the difference between the premium and the cost to close the position. When an option expires, gains or losses are realized equivalent to the amount of premiums received or paid, respectively. The net realized gains (losses) on written and purchased options are included in the Statements of Comprehensive Income in “Net realized gain (loss) on investments.”

Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. The receivable/payable on forward contracts is recorded separately in the Statements of Financial Position. Any unrealized gain or loss at the close of business on each valuation date is recorded as “Change in unrealized gain (loss) on investments” and realized gain or loss on foreign exchange contracts and realized gain or loss on bond forwards are included in “Derivative income (loss)” in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Derivative income (loss)” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Total Return Swaps – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income (loss)” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position, as applicable. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Interest Rate Swap Contracts – Interest rate swaps are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as an asset or liability in the Statements of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income (loss)” in the Statements of Comprehensive Income. Interest rate swap contracts are valued based upon quotations from independent sources.

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Credit Default Swap Contracts – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees paid or received are recorded as “Interest for distribution purposes” in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income (loss)” in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

Cross-Currency Swaps – A cross-currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross-currency swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments” in the Statements of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income (loss)” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position. The risks of cross-currency swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Securities Sold Short – Certain Funds may enter into short sales transactions. Short sales are transactions in which a Fund sells an investment that it may not own. A Fund may make short sales of investments (i) to offset potential declines in long positions in similar securities, (ii) to increase the flexibility of the Fund, (iii) for investment return, (iv) as part of a risk arbitrage strategy, and (v) as part of its overall portfolio management strategies involving the use of derivative instruments. When a Fund engages in a short sale, it may borrow the security sold short and deliver it to the counterparty. Securities sold short are reflected as “Investments in securities sold short” on the Statements of Financial Position. A Fund will ordinarily have to pay a fee or premium to borrow a security and be obligated to repay the lender of the security any dividend or interest that accrues on

the security during the period of the loan. Such fees payable, as applicable, are reflected as “Stock loan fee payable” on the Statements of Financial Position. The fee incurred is reflected as “Stock loan fee” on the Statements of Comprehensive Income. Dividends payable on such securities, as applicable, are reflected as “Dividends payable on short sales” on the Statements of Financial Position. Dividends on such investments, if any, are reflected as “Dividends on short sales” on the Statements of Comprehensive Income.

Underlying Funds – Underlying funds that are not exchange-traded funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Procedures are in place to determine the fair value of foreign securities traded in countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

Management also has procedures where the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee (“VC”) of the manager and are approved by the manager. The VC provides oversight of the Funds’ valuation policies and procedures.

Cash Cash is comprised of cash and deposits with banks and is recorded at amortized cost. The carrying amount of cash approximates its fair value because it is short term in nature.

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Margin Margin accounts represent margin deposits held with brokers in respect of derivatives contracts.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. RBC Alpha Plus U.S. Equity Fund and RBC QUBE Market Neutral World Equity Fund (collectively, the “USD Funds”) have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the USD Funds) at the rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in “Net gain (loss) on foreign cash balances” in the Statements of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign exchange gains/losses on spot and forward currency contracts are included in “Derivative income (loss)” in the Statements of Comprehensive Income.

Valuation of Series A different NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Stock loan fees and transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds and short-term investments.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. “Income from investment trusts” includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as “Interest expense” in the Statements of Comprehensive Income.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Prepaid Subscriptions Prepaid subscriptions represent amounts received from unitholders for subscriptions with an effective date after the period end date.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

AUD – Australian dollar	INR – Indian rupee
BRL – Brazilian real	JPY – Japanese yen
CAD – Canadian dollar	KRW – South Korean won
CHF – Swiss franc	MXN – Mexican peso
CLP – Chilean peso	MYR – Malaysian ringgit
COP – Colombian peso	NOK – Norwegian krone
CZK – Czech koruna	NZD – New Zealand dollar
DKK – Danish krone	PLN – Polish zloty
EUR – Euro	SEK – Swedish krona
GBP – Pound sterling	SGD – Singapore dollar
HKD – Hong Kong dollar	THB – Thailand baht
HUF – Hungarian forint	USD – United States dollar
IDR – Indonesian rupiah	ZAR – South African rand

In-Kind Transactions and Switches Between Different Series of the Same Fund In accordance with IAS 7, the Funds exclude non-cash transactions from their operating and financing activities within the Statements of Cash Flow. The primary differences between amounts issued and redeemed within the Statements of Changes in NAV and the

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Statements of Cash Flow relate to in-kind transactions and switches between series of the same Fund. Similarly, the “Cost of investments purchased” and “Proceeds from sale and maturity of investments” within the Statements of Cash Flow appropriately exclude in-kind transactions.

4. Critical accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying the Funds’ accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

Fair value measurement of securities not quoted in an active market

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds’ assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

5. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund’s capital, which is its NAV and consists primarily of its financial instruments.

A Fund’s investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund’s performance by employing professional, experienced portfolio managers, daily monitoring of the Fund’s holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund’s investment activities and monitors compliance with the Fund’s investment strategies, internal guidelines and securities regulations.

The financial markets experienced significant volatility as a result of the developing COVID-19 global pandemic. The effects of the pandemic and its impact on individual companies, nations and the market in general can not necessarily be foreseen at the present time and may have an

adverse impact on the financial performance of the Funds. The impact of the pandemic may be short-term or may last for an extended period of time.

In February 2022, Russian forces invaded Ukraine, resulting in an armed conflict and economic sanctions on Russia. Price volatility, trading restrictions, including the potential for extended halting of Russian market trading, and general default risk related to Russian securities may have an adverse impact on the financial performance of a Fund. The manager is actively monitoring the situation.

Financial instrument risk, as applicable to a Fund, is disclosed in its Notes to Financial Statements – Fund Specific Information. These risks include a Fund’s direct risks and pro rata exposure to the risks of underlying funds, as applicable.

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund may be exposed to daily, weekly or monthly cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund’s assets in investments that are traded in an active market and that can be readily disposed. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund’s Statements of Financial Position. The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. All other receivables, amounts due from brokers, cash, margin and short-term deposits are held with counterparties with a credit rating of BBB- or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds. The fair value of

fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Certain Funds trade in debt securities, some of which are variable rate and have an inter-bank linked interest rate. Such debt securities may potentially be transitioned to an alternative benchmark before the Funds dispose of their investments. The impact of this transition, if any, will be captured in the change in fair value of these investments and is not expected to be significant to each Fund.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls. The currency risk as disclosed in the Fund Specific Information in the Notes to Financial Statements represents the monetary and non-monetary foreign exchange exposure of a Fund.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

Short sales entail certain risks, including the risk that a short sale of a security may expose a Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by a Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by a Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by a Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of a Fund, the Manager may be required to buy or sell short securities at unattractive prices. The maximum risk resulting for financial instruments held long is determined by the fair value of the instrument.

6. Taxes

The Funds qualify as mutual fund trusts or unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed. It is the intention of the Funds to pay out all net income and realized capital gains each year so that the Funds will not be subject to income taxes. Accordingly, no provision for income taxes is recorded.

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Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

8. Administrative and other related-party transactions

Manager and Portfolio Manager

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. The management fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. No management fees are paid by the Funds with respect to Series O and Series OL units. Series O and Series OL unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services. As described in the Notes to Financial Statements – Fund Specific Information of the Fund, for certain Funds, RBC GAM is also paid performance fees. Performance fees are calculated and accrued on the last business day of each month and are payable to RBC GAM on the last business day of each year prior to giving effect to redemptions on such date.

The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not

limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including any costs and expenses of the Independent Review Committee ("IRC") of the Funds that are not related to annual fees, meeting fees and reimbursement for expenses to members of the IRC, the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, "other fund costs"), and taxes (including, but not limited to, GST/HST). RBC GAM, not the Funds, is responsible for the costs related to annual fees, meeting fees and reimbursement for expenses to members of the IRC. Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates ("underlying funds"). A Fund will not invest in units of an underlying fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe duplicates a fee payable by the underlying fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund's ownership interest in underlying funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Funds, 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 Funds also maintain bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide

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services to the Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Distributors

RBC GAM and RBC Dominion Securities Inc. are principal distributors of, or may distribute certain series of units of, the Funds.

Sub-Advisors

BlueBay Asset Management LLP is the sub-advisor of the BlueBay Total Return Credit Fund (Canada), the BlueBay High Yield Asset-Backed Credit Fund (Canada) and the BlueBay High Grade CLO Fund (CAD Hedged). BlueBay Asset Management LLP and RBC Global Asset Management (U.S.) Inc. are the sub-advisors of the BlueBay CMBS Opportunities Fund (Canada). RBC GAM U.K. Ltd. is the sub-advisor of the RBC Global Equity Focus Pension Trust.

The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. The sub-advisor is paid by the manager from the management fee paid by the Funds.

Trustee

RBC GAM is the trustee for the Funds governed by the laws of the Province of Ontario. RBC IS is the trustee for the Funds governed by the laws of the Province of British Columbia. The trustee holds title to the Funds' property on behalf of the unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Custodian

Unless specifically addressed in the Fund Specific Information, RBC IS is custodian of the Funds and holds the assets of the Funds. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

Registrars

RBC GAM and RBC IS are the registrars of the Funds and keep records of who owns units of the Funds. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Brokers and Dealers

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

Securities Lending Agent

To the extent a 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.

Mortgage Administrator Agent

Royal Bank administers mortgages on behalf of the Funds. Royal Bank earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Other Related-Party Transactions

Pursuant to applicable exemptive relief, the Funds relied on the standing instructions from the IRC with respect to one or more of the following transactions:

Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) 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

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

In addition, the Funds relied on standing instructions with respect to investments in 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 ("Related-Party Underwriting Activities").

These standing instructions require that the above transactions be conducted in accordance with RBC GAM policy and that RBC GAM advise the IRC of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities or Related-Party Underwriting 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 Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

9. Presentation changes in the financial statements

As a result of an accounting system change during the year ended December 31, 2022, the Funds have changed the presentation of certain items related to the cost of investments with accretion of discounts or premiums. In the current year, where applicable, the discount on short-term investments is now accreted into the cost of investments where previously such amounts were recorded as interest receivable. Additionally, the discount or premium related to convertible strip bonds is now accreted or amortized to the cost of investments. Comparatives have not been reclassified in the financial statements as the information required to achieve comparability is not available. As a result of this presentation change, amounts previously presented as "Change in unrealized gain (loss) on investments" are now presented as "Interest for distribution purposes" in the Statements of Comprehensive Income for convertible strip bonds, and there is a non-cash adjustment in the Statements of Cash Flow "Interest for distribution purposes", for the period ended December 31, 2022. Previously, such amounts were adjusted in the Statements of Cash Flow in "(Increase) decrease in accrued receivables" and "Proceeds from sale and maturity of investments", where applicable. There is no impact on Statements of Comprehensive Income as a result of the change in the presentation for the short-term investments.

The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the funds (the "Funds") whose financial statements accompany this letter. With the exception of the RBC Vision Fossil Fuel Free Global Equity Fund LP, the financial statements of which were approved by its General Partner, GAM Fund GP Inc., these financial statements were approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

We have maintained appropriate procedures and controls to ensure that timely and reliable financial information is produced. The financial statements have been prepared in compliance with IFRS Accounting Standards (and they include certain amounts that are based on estimates and judgments). The material accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with Canadian Auditing Standards. Their report is set out on the next page.



Damon G. Williams, FSA, FCIA, CFA
Chief Executive Officer
RBC Global Asset Management Inc.

March 7, 2024



Heidi Johnston, CPA, CA
Chief Financial Officer
RBC GAM Funds

To the Unitholders and Trustee, or Partners, as applicable of

Phillips, Hager & North Institutional S.T.I.F.	Phillips, Hager & North PRisM Long Corporate Bond Trust	BlueBay High Yield Asset-Backed Credit Fund (Canada)
Phillips, Hager & North Short Investment Grade Corporate Bond Trust	Phillips, Hager & North Long Mortgage Pension Trust	BlueBay High Grade CLO Fund (CAD Hedged)
Phillips, Hager & North Short Core Plus Bond Fund	Phillips, Hager & North Conventional Plus Mortgage Fund	Phillips, Hager & North PRisM Balanced Fund
Phillips, Hager & North Municipal Plus Bond Fund	Phillips, Hager & North High Yield Mortgage Fund	Phillips, Hager & North Enhanced Long Government Bond Fund
Phillips, Hager & North Mortgage Pension Trust	Phillips, Hager & North Infrastructure Debt Fund	Phillips, Hager & North Enhanced PRisM Long Fund
BlueBay CMBS Opportunities Fund (Canada)	Phillips, Hager & North Long Bond Pension Trust	Phillips, Hager & North Absolute Return Fund
RBC Commercial Mortgage Fund	Phillips, Hager & North Enhanced Long Bond Pension Trust	RBC Multi-Strategy Alpha Fund
RBC Vision Future Solutions Bond Fund	Phillips, Hager & North Long Private Placement Corporate Debt Fund	Phillips, Hager & North Long/Short Canadian Equity Fund
Phillips, Hager & North Investment Grade Corporate Bond Trust	Phillips, Hager & North Long Core Plus Bond Fund	RBC Fundamental Minimum Volatility Canadian Equity Fund
Phillips, Hager & North U.S. Investment Grade Corporate Bond Trust (CAD Hedged)	Phillips, Hager & North PRisM – Mid	Phillips, Hager & North Institutional Gold & Precious Metals Fund
Phillips, Hager & North PRisM – Short	Phillips, Hager & North PRisM – Long	RBC Canadian Preferred Share Fund
Phillips, Hager & North Enhanced Total Return Bond Fund	Phillips, Hager & North 20+ Strip Fund	RBC Long/Short North American Equity Fund
Phillips, Hager & North Corporate Bond Trust	Phillips, Hager & North Custom Interest Rate Overlay Fund	RBC Alpha Plus U.S. Equity Fund
Phillips, Hager & North Enhanced Corporate Bond Trust	Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund I	RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
Phillips, Hager & North Private Placement Corporate Debt Fund	Phillips, Hager & North Custom Universe Provincial Spread Overlay Fund II	RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
Phillips, Hager & North Core Plus Bond Fund	Canadian Custom Long Term Fixed Income Fund	RBC QUBE Stable Dividend Global Equity Fund (CAD Hedged)
Phillips, Hager & North Multi-Strategy Credit Fund	Phillips, Hager & North Synthetic Floating Rate Fund	RBC Global Equity Focus Pension Trust
Phillips, Hager & North Long Municipal Plus Bond Fund	Phillips, Hager & North PRisM Levered Government Bond Fund	RBC QUBE Custom Global Equity Fund
Phillips, Hager & North Long Investment Grade Corporate Bond Trust	BlueBay Total Return Credit Fund (Canada)	RBC Vision Fossil Fuel Free Global Equity Fund LP
Phillips, Hager & North Long Corporate Bond Trust	BlueBay Event Driven Credit Fund (Canada)	(individually, a Fund)

Our opinion

In our opinion, the accompanying December 31, 2023 financial statements of each Fund present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows as at and for the periods indicated in note 2 in accordance with IFRS Accounting Standards.

What we have audited

The financial statements of each Fund comprise:

- the statements of financial position as at the period-end dates indicated in note 2;
- the statements of comprehensive income for the periods indicated in note 2;
- the statements of cash flow for the periods indicated in note 2;
- the statements of changes in net assets attributable to holders of redeemable units (NAV) for the periods indicated in note 2; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 7, 2024



SCHEDULE OF INVESTMENT PORTFOLIO (in \$000s)

**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND
(CAD HEDGED)**

December 31, 2023

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
UNDERLYING FUNDS				
RBC QUBE Market Neutral World Equity Fund – Series O*	1 859 710	25 088	26 173	
TOTAL UNDERLYING FUNDS		25 088	26 173	96.7
UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	724	2.7
UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)		–	(4)	–
TOTAL PORTFOLIO		<u>25 088</u>	26 893	99.4
OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			180	0.6
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>27 073</u>	100.0

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain (\$)
Bought CAD 3 480 Sold USD 2 519 @ 1.3248	11-Jan-2024	143
Bought CAD 2 323 Sold USD 1 703 @ 1.3245	25-Jan-2024	68
Bought CAD 20 Sold USD 15 @ 1.3245	25-Jan-2024	–
Bought CAD 1 135 Sold USD 824 @ 1.3244	01-Feb-2024	45
Bought CAD 4 591 Sold USD 3 397 @ 1.3243	08-Feb-2024	94
Bought CAD 4 975 Sold USD 3 670 @ 1.3242	15-Feb-2024	116
Bought CAD 3 700 Sold USD 2 730 @ 1.3239	29-Feb-2024	87
Bought CAD 3 600 Sold USD 2 656 @ 1.3238	07-Mar-2024	84
Bought CAD 3 700 Sold USD 2 730 @ 1.3237	14-Mar-2024	87
		<u>724</u>

Contracts	Maturity Date	Unrealized Loss (\$)
Bought USD 111 Sold CAD 150 @ 1.3248	11-Jan-2024	(4)
		<u>(4)</u>
TOTAL FOREIGN EXCHANGE		<u>720</u>

All counterparties have a credit rating of at least A.

* Investment in related party (see note 8 in the generic notes).



Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2023	December 31 2022
ASSETS		
Investments at fair value	\$ 26 173	\$ 24 718
Cash	202	188
Unrealized gain on foreign exchange contracts	724	58
TOTAL ASSETS	27 099	24 964
LIABILITIES		
Unrealized loss on foreign exchange contracts	4	160
Accounts payable and accrued expenses	22	25
TOTAL LIABILITIES EXCLUDING NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	26	185
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")	\$ 27 073	\$ 24 779
Investments at cost	\$ 25 088	\$ 22 890
NAV		
SERIES A	\$ 165	\$ 231
SERIES F	\$ 878	\$ 8 159
SERIES N	\$ 25 090	\$ 15 482
SERIES O	\$ 940	\$ 907
NAV PER UNIT		
SERIES A	\$ 8.66	\$ 8.41
SERIES F	\$ 9.90	\$ 9.51
SERIES N	\$ 9.99	\$ 9.60
SERIES O	\$ 10.75	\$ 10.22

Statements of Comprehensive Income

(in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)	2023	2022
INCOME (see note 3 in the generic notes)		
Interest for distribution purposes	\$ 5	\$ 2
Derivative income (loss)	(288)	(1 403)
Net realized gain (loss) on investments	968	(10)
Change in unrealized gain (loss) on investments and derivatives	79	3 977
TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES	764	2 566
Net gain (loss) on foreign cash balances	63	–
TOTAL OTHER INCOME (LOSS)	63	–
TOTAL INCOME (LOSS)	827	2 566
EXPENSES (see notes – Fund Specific Information)		
Management fees	214	204
Administration fees	3	6
GST/HST	19	21
TOTAL EXPENSES	236	231
INCREASE (DECREASE) IN NAV	\$ 591	\$ 2 335
INCREASE (DECREASE) IN NAV		
SERIES A	\$ 6	\$ 27
SERIES F	\$ 202	\$ 562
SERIES N	\$ 337	\$ 1 656
SERIES O	\$ 46	\$ 90
INCREASE (DECREASE) IN NAV PER UNIT		
SERIES A	\$ 0.26	\$ 0.80
SERIES F	\$ 0.36	\$ 1.02
SERIES N	\$ 0.21	\$ 1.01
SERIES O	\$ 0.53	\$ 1.15



Statements of Cash Flow (in \$000s)

For the periods ended December 31
(see note 2 in the generic notes)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in NAV	\$ 591	\$ 2 335
ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS		
Amortization of premium and discounts	—	—
Non-cash dividends	—	—
Non-cash distributions from underlying funds	—	—
Net realized loss (gain) on investments	(968)	10
Change in unrealized loss (gain) on investments and derivatives	(79)	(3 977)
(Increase) decrease in accrued receivables	—	—
Increase (decrease) in accrued payables	(3)	9
(Increase) decrease in margin accounts	—	—
Cost of investments purchased*	(12 013)	(6 536)
Proceeds from sale and maturity of investments*	10 783	2 456
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1 689)	(5 703)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable units*	11 603	7 043
Cash paid on redemption of redeemable units*	(9 900)	(1 247)
Distributions paid to holders of redeemable units	—	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 1 703	\$ 5 796
Net increase (decrease) in cash for the period	14	93
Cash (bank overdraft), beginning of period	188	95
CASH (BANK OVERDRAFT), END OF PERIOD	\$ 202	\$ 188
Interest received (paid) [†]	\$ 5	\$ 2
Income from investment trusts received (paid) ^{†‡}	\$ —	\$ —
Dividends received (paid) ^{†‡}	\$ —	\$ —

* Excludes in-kind transactions.

[†] Classified as part of operating activities.

[‡] Net of withholding taxes, if applicable.



Statements of Changes in NAV (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)	Series A		Series F		Series N	
	2023	2022	2023	2022	2023	2022
NAV AT BEGINNING OF PERIOD	\$ 231	\$ 261	\$ 8 159	\$ 1 471	\$ 15 482	\$ 14 226
INCREASE (DECREASE) IN NAV	6	27	202	562	337	1 656
Early redemption fees	—	—	—	—	—	—
Proceeds from redeemable units issued	—	35	332	6 783	11 271	—
Reinvestments of distributions to holders of redeemable units	—	—	—	—	—	—
Redemption of redeemable units	(72)	(92)	(7 815)	(657)	(2 000)	(400)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(72)	(57)	(7 483)	6 126	9 271	(400)
Distributions from net income	—	—	—	—	—	—
Distributions from net gains	—	—	—	—	—	—
Distributions from capital	—	—	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—	—	—
NET INCREASE (DECREASE) IN NAV	(66)	(30)	(7 281)	6 688	9 608	1 256
NAV AT END OF PERIOD	\$ 165	\$ 231	\$ 878	\$ 8 159	\$ 25 090	\$ 15 482

For the periods ended December 31 (see note 2 in the generic notes)	Series O		Total	
	2023	2022	2023	2022
NAV AT BEGINNING OF PERIOD	\$ 907	\$ 674	\$ 24 779	\$ 16 632
INCREASE (DECREASE) IN NAV	46	90	591	2 335
Early redemption fees	—	—	—	—
Proceeds from redeemable units issued	—	225	11 603	7 043
Reinvestments of distributions to holders of redeemable units	—	—	—	—
Redemption of redeemable units	(13)	(82)	(9 900)	(1 231)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	(13)	143	1 703	5 812
Distributions from net income	—	—	—	—
Distributions from net gains	—	—	—	—
Distributions from capital	—	—	—	—
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	—	—	—	—
NET INCREASE (DECREASE) IN NAV	33	233	2 294	8 147
NAV AT END OF PERIOD	\$ 940	\$ 907	\$ 27 073	\$ 24 779



December 31, 2023

General information (see note 1 in the generic notes)

The Fund seeks to provide consistent absolute returns that are substantially independent of the performance of the global equity market by investing primarily in units of the RBC QUBE Market Neutral World Equity Fund, while seeking to minimize exposure to currency fluctuations between the U.S. and Canadian dollars through the use of derivatives.

Financial instrument risk and capital management (see note 5 in the generic notes)

The Fund invests primarily in the RBC QUBE Market Neutral World Equity Fund. The Fund's exposure to financial instrument risk is based on the underlying fund asset mix. The following tables present the Fund's direct risks and pro rata exposure to the risks of the underlying fund.

Concentration risk (%)

The table below summarizes the Fund's investment exposure (after consideration of derivative products, if any) as at:

	December 31 2023	December 31 2022
Investment mix		
Norway	5.2	4.5
Switzerland	4.9	4.9
Italy	4.7	(2.8)
China	2.7	4.8
United Kingdom	1.9	(0.6)
Finland	1.5	(1.7)
Australia	1.4	3.9
Denmark	1.3	0.6
Spain	0.5	(3.4)
Japan	(0.6)	0.8
Singapore	(0.7)	(4.9)
France	(1.3)	2.4
Canada	(1.4)	(3.7)
Netherlands	(3.1)	3.2
Belgium	(3.2)	(2.1)
United States	(4.4)	(1.7)
Germany	(4.6)	(1.3)
Sweden	(5.4)	(3.6)
Hong Kong	–	0.3
Cash/Other	100.6	100.4
Total	100.0	100.0

Currency risk (% of NAV)

Since the currency risk of the Fund has been hedged using foreign exchange contracts, the Fund has minimal sensitivity to changes in foreign exchange rates.

Other price risk (% impact on NAV)

The table below shows the impact of a 10% change in the broad-based index (noted below) on the Fund's NAV, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	December 31 2023	December 31 2022
MSCI World Total Return Net Index (hedged to CAD)	+ or - 0.0	+ or - -0.3

Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)

The following is a summary of the inputs used as of December 31, 2023 and 2022.

December 31, 2023	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	26 173	–	–	26 173
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	724	–	724
Derivatives – liabilities	–	(4)	–	(4)
Total financial instruments	26 173	720	–	26 893
% of total portfolio	97.3	2.7	–	100.0

December 31, 2022	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Underlying funds	24 718	–	–	24 718
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	58	–	58
Derivatives – liabilities	–	(160)	–	(160)
Total financial instruments	24 718	(102)	–	24 616
% of total portfolio	100.4	(0.4)	–	100.0

For the periods ended December 31, 2023 and 2022, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.



December 31, 2023

**Management fees and administration fees
(see note 8 in the generic notes)**

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 NAV of each series of the Fund.

	Management fees	Administration fees
Series A	2.00%	0.02%
Series F	1.00%	0.02%
Series N	1.00%	0.02%
Series O	n/a*	0.02%

* Series O unitholders pay a negotiated management fee directly to RBC GAM for investment-counselling services.

**Investments by related parties
(\$000s except unit amounts)**

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2023	December 31 2022
Units held		
Series A	57	57
Series F	60	60
Series O	61	61
Value of all units	2	2

**Unconsolidated structured entities (%)
(see note 3 in the generic notes)**

The table below summarizes the Fund's interest in the sponsored funds as a percentage of NAV, and the Fund's ownership interest as a percentage of NAV of the sponsored funds ("Ownership"). All sponsored funds are established and conduct business in Canada.

	December 31 2023		December 31 2022	
	NAV	Ownership	NAV	Ownership
RBC QUBE Market Neutral World Equity Fund	96.7	76.9	99.7	80.7

Taxes (\$000s) (see note 6 in the generic notes)

The non-capital and capital losses for the Fund were approximately:

As at December 31, 2023

Capital losses	21 222
Non-capital losses	1 102
Non-capital losses expire in:	
2042	228
2041	219
2040	655

Redeemable units (000s)

There is no limitation on the number of units available for issue. Units are purchased and redeemed at the NAV per unit.

For the periods ended December 31
(see note 2 in the generic notes)

2023 2022

Series A

Opening units	27	34
Issued number of units	—	4
Reinvested number of units	—	—
Redeemed number of units	(8)	(11)
Ending number of units	19	27

Series F

Opening units	858	173
Issued number of units	35	759
Reinvested number of units	—	—
Redeemed number of units	(804)	(74)
Ending number of units	89	858

Series N

Opening units	1 612	1 656
Issued number of units	1 105	—
Reinvested number of units	—	—
Redeemed number of units	(206)	(44)
Ending number of units	2 511	1 612

Series O

Opening units	89	75
Issued number of units	—	22
Reinvested number of units	—	—
Redeemed number of units	(2)	(8)
Ending number of units	87	89

**Investments by other related investment funds (%)
(see note 8 in the generic notes)**

The table below summarizes, as a percentage, the NAV of the Fund owned by other related investment funds as at:

	December 31 2023	December 31 2022
RBC Multi-Strategy Alpha Fund	92.7	62.5



December 31, 2023

**Offsetting financial assets and liabilities (\$000s)
(see note 3 in the generic notes)**

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy. “Net amount” represents the impact to the Fund if all set-off rights were to be exercised.

December 31, 2023	Assets	Liabilities
Gross amounts – assets (liabilities)	724	(4)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	724	(4)
Related amounts not set-off	(4)	4
Collateral (received) pledged	–	–
Net amount	720	–

December 31, 2022	Assets	Liabilities
Gross amounts – assets (liabilities)	58	(160)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	58	(160)
Related amounts not set-off	–	–
Collateral (received) pledged	–	–
Net amount	58	(160)

December 31, 2023

1. The Funds

The funds, collectively referred to as “Fund” or “Funds,” are open-ended mutual fund trusts governed by the laws of the Province of British Columbia or Ontario and governed by a Master Declaration of Trust other than RBC Vision Fossil Fuel Free Global Equity Fund LP, which is a limited partnership formed under the laws of the Province of Ontario, pursuant to a limited partnership agreement. RBC Global Asset Management Inc. (“RBC GAM”) is the manager, portfolio manager, distributor and one of the registrars of the Funds and its head office is located at 155 Wellington Street West, 22nd Floor, Toronto, Ontario. RBC GAM is also the trustee of those mutual fund trusts governed by the laws of the Province of Ontario. With the exception of the RBC Vision Fossil Fuel Free Global Equity Fund LP, the financial statements of which were approved by its General Partner, GAM Fund GP Inc. on March 7, 2024, these financial statements were approved for issuance by the Board of Directors of RBC GAM on March 7, 2024.

The Funds may issue an unlimited number of units in some or all of Series A, Series I, Series N, Series F, Series O, Series OL and Series P.

Series A, Series I, Series F, Series O and Series OL units are only available to large private or institutional investors as may be determined from time to time on a case-by-case basis. Series N and Series P units are only available to related funds. Series O and Series OL units may only be purchased, switched or redeemed through RBC GAM or in certain circumstances, Phillips, Hager & North Investment Funds Ltd.

RBC Vision Fossil Fuel Free Global Equity Fund LP is divided into one general partner unit, representing the interest in the Fund held by its General Partner, and Series O units representing interests in the Fund held by its limited partner unitholders. “Redeemable units” for this Fund means redeemable partnership units.

2. Financial year

The Statements of Financial Position are prepared as at December 31, 2023 and December 31, 2022, as applicable, and the Statements of Comprehensive Income, Statements of Cash Flow, and Statements of Changes in NAV are prepared for the years ended December 31, 2023 and December 31, 2022, except for those Funds established during either year, in which case, the information is

presented from the start date as described in the Notes to Financial Statements – Fund Specific Information to December 31 of that year.

3. Material accounting policy information

These financial statements have been prepared in accordance with IFRS Accounting Standards. The material accounting policy information of the Funds is as follows:

Classification and Measurement of Financial Assets, Liabilities and Derivatives Each of the Funds classifies its investment portfolio based on the business model for managing the portfolio and the contractual cash flow characteristics. The investment portfolio of financial assets and liabilities is managed and performance is evaluated on a fair value basis. The contractual cash flows of the Funds’ debt securities that are solely principal and interest are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds’ business model objectives. Consequently, all investments are measured at fair value through profit and loss (“FVTPL”). Derivative assets and liabilities are also measured at FVTPL.

The Funds’ obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value as of the reporting date. All other financial assets and liabilities are measured at amortized cost, which approximates fair value given their short-term nature.

Offsetting Financial Assets and Liabilities In the normal course of business, the Funds may enter into various International Swaps and Derivatives Association master netting agreements or other similar arrangements with certain counterparties that allow for related amounts to be offset in certain circumstances, such as bankruptcy or termination of contracts. Offsetting information, where applicable, is presented in the Notes to Financial Statements – Fund Specific Information.

Collateral received represents amounts held by a counterparty or custodian on behalf of the Funds and can be in the form of securities and cash. Cash received as collateral is included in the Statements of Financial Position, whereas securities received are not included. Collateral pledged represents amounts held by the Funds’ custodian/counterparty on behalf of the counterparty and can be in the form of cash and securities. Cash pledged as

December 31, 2023

collateral is included in the Statements of Financial Position, while securities pledged as collateral are identified on the respective Fund's Schedule of Investment Portfolio.

Classification of Redeemable Units The Funds have multiple features across the different series of the Funds. Consequently, the Funds' outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32 Financial Instruments: Presentation.

Unconsolidated Structured Entities The Funds may invest in other Funds and exchange-traded funds ("ETFs") managed by the manager or an affiliate of the manager ("sponsored funds") and may invest in other funds and ETFs managed by unaffiliated entities ("unsponsored funds"); collectively, "underlying funds." The underlying funds are determined to be unconsolidated structured entities, as decision making in the underlying fund is not governed by the voting rights or other similar rights held by the Fund. The investments in underlying funds are subject to the terms and conditions of the offering documents of the respective underlying funds and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. The underlying funds' objectives are generally to achieve long-term capital appreciation and/or current income by investing in a portfolio of securities and other funds in line with each of their documented investment strategies. The underlying funds apply various investment strategies to accomplish their respective investment objectives.

The underlying funds finance their operations by issuing redeemable units which are puttable at the unitholder's option, and entitle the unitholder to a proportional stake in the respective underlying funds' NAV.

The Funds do not consolidate their investment in underlying funds but account for these investments at fair value. The manager has determined that the Funds are investment entities in accordance with IFRS 10 Consolidated Financial Statements, since the Funds meet the following criteria:

- (i) The Funds obtain capital from one or more investors for the purpose of providing those investors with investment management services,
- (ii) The Funds commit to their investors that their business purpose is to invest funds solely for the returns from capital appreciation, investment income or both, and
- (iii) The Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

Therefore, the fair value of investments in the underlying funds is included in the Schedule of Investment Portfolio and included in "Investments at fair value" in the Funds' Statements of Financial Position. The change in fair value of the investment held in the underlying funds is included in "Change in unrealized gain (loss) on investments and derivatives" in the Statements of Comprehensive Income.

Certain Funds may invest in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

Determination of Fair Value The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's-length transaction between knowledgeable and willing parties under no compulsion to act. In determining fair value, a three-tier hierarchy based on inputs is used to value the Funds' financial instruments. The hierarchy of inputs is summarized below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), including broker quotes, vendor prices, vendor fair value factors and prices of underlying funds that are not daily traded; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The three-tier hierarchy of investments and derivatives is included in Notes to Financial Statements – Fund Specific Information.

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Investments and derivatives are recorded at fair value, which is determined as follows:

Equities – Common shares and preferred shares are valued at the closing price as recorded by the security exchange on which the security is principally traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Fixed-Income and Debt Securities – Bonds, mortgage-backed securities, loans, debentures and other debt securities are valued at the mid price quoted by major dealers or independent pricing vendors in such securities.

NHA-approved mortgages are valued at an amount which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

Short-Term Investments – Short-term investments are valued at cost plus accrued interest, which approximates fair value.

Options – Options give the purchaser the right, but not the obligation, to buy (call) or sell (put) an underlying security or financial instrument at an agreed exercise or strike price during the specified period or on a specified date.

Listed options are valued at the closing price on the recognized exchange on which the option is traded. In circumstances where the closing price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value.

Options purchased and options written (sold) are recorded as investments in the Statements of Financial Position. These investments are reported at fair value in the Statements of Financial Position, and unrealized gain or loss at the close of business on each valuation date is recorded in “Change in unrealized gain (loss) on investments and derivatives” in the Statements of Comprehensive Income.

When an option is exercised and the underlying securities are acquired or delivered, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed the Fund will realize a gain or loss equal to the difference between the premium and the cost to close the position. When an option expires, gains or losses are realized equivalent to the amount of premiums received or paid, respectively. The net realized gains (losses) on written and purchased options are included in the Statements of Comprehensive Income in “Net realized gain (loss) on investments.”

Warrants – Warrants are valued using a recognized option pricing model, which includes factors such as the terms of the warrant, time value of money and volatility inputs that are significant to such valuation.

Warrants are recorded as investments and reported at fair value in the Statements of Financial Position. Any unrealized gain or loss at the close of business on each valuation date is recorded in “Change in unrealized gain (loss) on investments and derivatives” in the Statements of Comprehensive Income. When warrants are exercised or have expired, the net realized gains (losses) are included in the Statements of Comprehensive Income in “Net realized gain (loss) on investments.”

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. The unrealized gain or loss on forward contracts is recorded separately in the Statements of Financial Position. Any unrealized gain or loss on foreign exchange contracts and bond forwards at the close of business on each valuation date is recorded as “Change in unrealized gain (loss) on investments and derivatives” and realized gain or loss is included in “Derivative income (loss)” in the Statements of Comprehensive Income.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Derivative income (loss)” in the Statements of Comprehensive Income. The receivable/payable on futures contracts is recorded separately in the Statements of Financial Position.

Total Return Swaps – A total return swap is an agreement by which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. Total return swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments and derivatives” in the Statements

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of Comprehensive Income. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income (loss)” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position, as applicable. The risks of total return swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Interest Rate Swap Contracts – Interest rate swaps are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received from interest rate swap contracts are recorded as “Interest for distribution purposes” and paid are recorded as “Interest expense” in the Statements of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as an asset or liability in the Statements of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income (loss)” in the Statements of Comprehensive Income. Interest rate swap contracts are valued based upon quotations from independent sources.

Credit Default Swap Contracts – Credit default swaps are agreements between a protection buyer and protection seller. The protection buyer pays a periodic fee in exchange for a payment by the protection seller contingent on the occurrence of a credit event, such as a default, bankruptcy or restructuring, with respect to a referenced entity. Periodic fees received are recorded as “Interest for distribution purposes” and paid are recorded as “Interest expense” in the Statements of Comprehensive Income. When the contract is terminated or expires, the payments received or paid are recorded as “Derivative income (loss)” in the Statements of Comprehensive Income. Credit default swap contracts are valued based on quotations from independent sources.

Cross-Currency Swaps – A cross-currency swap is an agreement between two parties to exchange interest payments and principals denominated in two different currencies. Cross-currency swap contracts are marked to market daily based upon quotations from the market makers and the change in value, if any, is recorded in “Change in unrealized gain (loss) on investments and derivatives” in the Statements of Comprehensive Income. When the swap contract is

terminated early, the Fund records a realized gain or loss equal to the difference between the current net present value and the executed net present value in “Derivative income (loss)” in the Statements of Comprehensive Income. Unrealized gains and losses are recorded as “Receivable on open swap contracts” or “Payable on open swap contracts” in the Statements of Financial Position. The risks of cross-currency swap contracts include changes in market conditions and the possible inability of the counterparty to fulfill its obligations under the agreement.

Securities Sold Short – Certain Funds may enter into short sales transactions. Short sales are transactions in which a Fund sells an investment that it may not own. A Fund may make short sales of investments (i) to offset potential declines in long positions in similar securities, (ii) to increase the flexibility of the Fund, (iii) for investment return, (iv) as part of a risk arbitrage strategy, and (v) as part of its overall portfolio management strategies involving the use of derivative instruments. When a Fund engages in a short sale, it may borrow the security sold short and deliver it to the counterparty. Securities sold short are reflected as “Investments in securities sold short” on the Statements of Financial Position. A Fund will ordinarily have to pay a fee or premium to borrow a security and be obligated to repay the lender of the security any dividend or interest that accrues on the security during the period of the loan. Such fees payable, as applicable, are reflected as “Stock loan fee payable” on the Statements of Financial Position. The fee incurred is reflected as “Stock loan fee” on the Statements of Comprehensive Income. Dividends payable on such securities, as applicable, are reflected as “Dividends payable on short sales” on the Statements of Financial Position. Dividends on such investments, if any, are reflected as “Dividends on short sales” on the Statements of Comprehensive Income.

Underlying Funds – Underlying funds that are not exchange-traded funds are valued at their respective NAV per unit from fund companies on the relevant valuation dates and underlying funds that are exchange-traded funds are valued at market close on the relevant valuation dates.

Fair Valuation of Investments – The Funds have procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Procedures are in place to determine the fair value of foreign securities traded in

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countries outside of North America daily to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

Management also has procedures where the Funds primarily employ a market-based approach, which may use related or comparable assets or liabilities, NAV per unit (for exchange-traded funds), recent transactions, market multiples, book values and other relevant information for the investment to determine its fair value. The Funds may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments, but only if they arise as a feature of the instrument itself. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

All security valuation techniques are periodically reviewed by the Valuation Committee ("VC") of the manager and are approved by the manager. The VC provides oversight of the Funds' valuation policies and procedures.

Cash Cash is comprised of cash and deposits with banks and is recorded at amortized cost. The carrying amount of cash approximates its fair value because it is short term in nature.

Margin Margin accounts represent margin deposits held with brokers in respect of derivatives contracts.

Functional Currency The Funds, with the exceptions below, have their subscriptions, redemptions and performance denominated in Canadian dollars and, consequently, the Canadian dollar is the functional currency for the Funds. RBC Alpha Plus U.S. Equity Fund and RBC QUBE Market Neutral World Equity Fund (collectively, the "USD Funds") have their subscriptions, redemptions and performance denominated in U.S. dollars and, consequently, the U.S. dollar is the functional currency for these Funds.

Foreign Exchange The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the USD Funds) at the rate of exchange on each valuation date. Gains/losses on foreign cash balances are included in "Net gain (loss) on foreign cash balances" in the Statements of Comprehensive Income. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized foreign

exchange gains/losses on spot and forward currency contracts are included in "Derivative income (loss)" in the Statements of Comprehensive Income.

Valuation of Series A different NAV is calculated for each series of units of a Fund. The NAV of a particular series of units is computed by calculating the value of the series' proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative NAV of each series. Expenses are accrued daily.

Investment Transactions Investment transactions are accounted for as of the trade date. Stock loan fees and transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Comprehensive Income for the period. The unrealized gain and loss on investments is the difference between fair value and average cost for the period. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost which does not include amortization of premiums or discounts on fixed-income and debt securities with the exception of zero coupon bonds and short-term investments.

Income Recognition Dividend income is recognized on the ex-dividend date and interest for distribution purposes is coupon interest recognized on an accrual basis and/or imputed interest on zero coupon bonds. "Income from investment trusts" includes income from underlying funds and other trusts. Any premiums paid or discounts received on the purchase of zero coupon bonds are amortized. Interest payments made by the Funds to counterparties on the payable leg of derivative contracts are recorded as "Interest expense" in the Statements of Comprehensive Income.

Increase (Decrease) in NAV per Unit Increase (decrease) in NAV per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units by series, divided by the average units outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a Fund and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems

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or switches out units within seven days of purchasing or previously switching into a Fund. These amounts are included in the Statements of Changes in NAV.

Prepaid Subscriptions Prepaid subscriptions represent amounts received from unitholders for subscriptions with an effective date after the period end date.

Foreign Currencies The following is a list of abbreviations used in the Schedule of Investment Portfolio:

AUD – Australian dollar	INR – Indian rupee
BRL – Brazilian real	JPY – Japanese yen
CAD – Canadian dollar	KRW – South Korean won
CHF – Swiss franc	MXN – Mexican peso
CLP – Chilean peso	MYR – Malaysian ringgit
CNH – Chinese renminbi	NOK – Norwegian krone
COP – Colombian peso	NZD – New Zealand dollar
CZK – Czech koruna	PEN – Peruvian nuevo sol
DKK – Danish krone	PLN – Polish zloty
DOP – Dominican peso	RON – Romanian leu
EUR – Euro	SGD – Singapore dollar
GBP – Pound sterling	THB – Thailand baht
HKD – Hong Kong dollar	TWD – New Taiwan dollar
HUF – Hungarian forint	USD – United States dollar
IDR – Indonesian rupiah	ZAR – South African rand

In-Kind Transactions and Switches Between Different Series of the Same Fund The Funds exclude non-cash transactions from their operating and financing activities within the Statements of Cash Flow. The primary differences between amounts issued and redeemed within the Statements of Changes in NAV and the Statements of Cash Flow relate to in-kind transactions and switches between series of the same Fund. Similarly, the “Cost of investments purchased” and “Proceeds from sale and maturity of investments” within the Statements of Cash Flow appropriately exclude in-kind transactions.

4. Critical accounting judgments and estimates

The preparation of financial statements requires the use of judgment in applying the Funds’ accounting policies and making estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that management has made in preparing the financial statements.

Fair value measurement of securities not quoted in an active market

The Funds have established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed and consistently applied from period to period. The estimates of the value of the Funds’ assets and liabilities are believed to be appropriate as at the reporting date.

The Funds may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by management for the estimates used in determining fair value.

5. Financial instrument risk and capital management

RBC GAM is responsible for managing each Fund’s capital, which is its NAV and consists primarily of its financial instruments.

A Fund’s investment activities expose it to a variety of financial risks. RBC GAM seeks to minimize potential adverse effects of these risks on a Fund’s performance by employing professional, experienced portfolio managers, daily monitoring of the Fund’s holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, RBC GAM also uses internal guidelines, maintains a governance structure that oversees each Fund’s investment activities and monitors compliance with the Fund’s investment strategies, internal guidelines and securities regulations.

Significant market disruptions, such as those caused by pandemics, natural or environmental disasters, wars, acts of terrorism, or other events, can adversely affect local and global markets and normal market operations. Any such disruptions could have an adverse impact on the value of the Funds’ investments and performance.

Financial instrument risk, as applicable to a Fund, is disclosed in its Notes to Financial Statements – Fund Specific Information. These risks include a Fund’s direct risks and pro rata exposure to the risks of underlying funds, as applicable.

Liquidity risk

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund may be exposed to daily, weekly or monthly cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of a Fund’s assets in investments that are traded in an active market and that can be readily disposed. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. All non-derivative financial liabilities, other than redeemable units, are due within 90 days.

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Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Financial Position. The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. All other receivables, amounts due from brokers, cash, margin and short-term deposits are held with counterparties with a credit rating of BBB- or higher. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Funds. The fair value of fixed-income and debt securities includes a consideration of the creditworthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 7). RBC GAM monitors each Fund's credit exposure and counterparty ratings daily.

Concentration risk

Concentration risk arises as a result of net financial instrument exposures to the same category, such as geographical region, asset type, industry sector or market segment. Financial instruments in the same category have similar characteristics and may be affected similarly by changes in economic or other conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages or other income-producing securities, is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

Certain Funds trade in debt securities, some of which are variable rate and have an inter-bank linked interest rate. Such debt securities may potentially be transitioned to an alternative benchmark before the Funds dispose of their

investments. The impact of this transition, if any, will be captured in the change in fair value of these investments and is not expected to be significant to each Fund.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than the functional currency is affected by changes in the value of the functional currency in relation to the value of the currency in which the investment is denominated. When the value of the functional currency falls in relation to foreign currencies, then the value of the foreign investments rises. When the value of the functional currency rises, the value of the foreign investments falls. The currency risk as disclosed in the Fund Specific Information in the Notes to Financial Statements represents the monetary and non-monetary foreign exchange exposure of a Fund.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

Short sales entail certain risks, including the risk that a short sale of a security may expose a Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by a Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by a Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by a Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of a Fund, the Manager may be

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required to buy or sell short securities at unattractive prices. The maximum risk resulting for financial instruments held long is determined by the fair value of the instrument.

6. Taxes

The Funds qualify as mutual fund trusts or unit trusts under the *Income Tax Act* (Canada) except the RBC Vision Fossil Free Global Equity Fund LP (see Taxes note in Fund Specific Information). In general, the Funds are subject to income tax; however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In addition, for mutual fund trusts, income taxes payable on net realized capital gains are refundable on a formula basis when units of the Funds are redeemed. It is the intention of the Funds to pay out all net income and realized capital gains each year so that the Funds will not be subject to income taxes. Accordingly, no provision for income taxes is recorded.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to 20 years.

7. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Comprehensive Income of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

8. Administrative and other related-party transactions

Manager and Portfolio Manager

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank"). RBC GAM is the manager and portfolio manager of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the

Funds and appoints distributors for the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. The management fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. No management fees are paid by the Funds with respect to Series O and Series OL units. Series O and Series OL unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services. As described in the Notes to Financial Statements – Fund Specific Information of the Fund, for certain Funds, RBC GAM is also paid performance fees. Performance fees are calculated and accrued on the last business day of each month and are payable to RBC GAM on the last business day of each year prior to giving effect to redemptions on such date.

The Funds pay a fixed administration fee to RBC GAM. The fixed administration fee is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees and the costs of preparing and distributing annual and interim reports, statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including any costs and expenses of the Independent Review Committee ("IRC") of the Funds that are not related to annual fees, meeting fees and reimbursement for expenses to members of the IRC, the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, "other fund costs"), and taxes (including, but not limited to, GST/HST). RBC GAM, not the Funds, is responsible for the costs related to annual fees, meeting fees and reimbursement for expenses to members of the IRC. Other fund costs will be allocated proportionately to each series based upon the relative NAV of each series. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates ("underlying funds"). A Fund will not invest in units of an underlying fund if the Fund would be required to pay any management or incentive fees in respect of that investment that a reasonable person would believe

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duplicates a fee payable by the underlying fund for the same service. To the extent a Fund invests in underlying funds managed by RBC GAM or its affiliates, the fees and expenses payable by the underlying funds are in addition to the fees and expenses payable by the Fund. However, a Fund may only invest in one or more underlying funds provided that no management fees or incentive fees are payable that would duplicate a fee payable by the underlying fund for the same service. The Fund's ownership interest in underlying funds is disclosed in the Notes to Financial Statements – Fund Specific Information.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Funds, 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 Funds also maintain 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 Funds in the course of their normal business, all of which are wholly owned subsidiaries of Royal Bank of Canada, are discussed below.

Distributors

RBC GAM and RBC Dominion Securities Inc. are principal distributors of, or may distribute certain series of units of, the Funds.

Sub-Advisors

RBC Global Asset Management (U.S.) Inc. and RBC Global Asset Management (UK) Limited are the sub-advisors of the BlueBay CMBS Opportunities Fund (Canada)*. RBC Global Asset Management (UK) Limited is the sub-advisor of the BlueBay Total Return Credit Fund (Canada)*, the BlueBay High Yield Asset-Backed Credit Fund (Canada)*, the BlueBay High Grade CLO Fund (CAD Hedged)*, RBC Vision Fossil Fuel Free Global Equity Fund LP and the RBC Global Equity Focus Pension Trust.

The sub-advisor earns a fee which is calculated and accrued daily as a percentage of the NAV of each series of units of the Funds. The sub-advisor is paid by the manager from the management fee paid by the Funds.

*Prior to April 1, 2023 BlueBay Asset Management LLP was a sub-advisor for these Funds.

Trustee

RBC GAM is the trustee for the Funds governed by the laws of the Province of Ontario. RBC IS is the trustee for the Funds governed by the laws of the Province of British Columbia. The trustee holds title to the Funds' property on behalf of the unitholders. The trustee earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Custodian

Unless specifically addressed in the Fund Specific Information, RBC IS is custodian of the Funds and holds the assets of the Funds. RBC IS earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Funds.

Registrars

RBC GAM and RBC IS are the registrars of the Funds and keep records of who owns units of the Funds. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Brokers and Dealers

The Funds have established or may establish standard brokerage agreements and dealing agreements at market rates with related parties such as RBC Dominion Securities Inc., RBC Capital Markets, LLC, RBC Europe Limited, NBC Securities Inc. and Royal Bank of Canada.

Securities Lending Agent

To the extent a 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.

Mortgage Administrator Agent

Royal Bank administers mortgages on behalf of the Funds. Royal Bank earns a fee, which is paid by the manager from the fixed administration fee paid by the Funds.

Other Related-Party Transactions

Pursuant to applicable exemptive relief, the Funds relied on the standing instructions from the IRC with respect to one or more of the following transactions:

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Related-Party Trading Activities

- (a) trades in securities of Royal Bank;
- (b) 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

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

In addition, the Funds relied on standing instructions with respect to investments in 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 ("Related-Party Underwriting Activities").

These standing instructions require that the above transactions be conducted in accordance with RBC GAM policy and that RBC GAM advise the IRC of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities or Related-Party Underwriting 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 Funds, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

**RBC Funds, RBC Private Pools and
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On the Internet

Visit our website at: **rbcgam.com/regulatorydocuments**
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