



Global Asset  
Management

# **Annual Financial Statements RBC QUBE Market Neutral World Equity Fund 2015 to 2023**

These annual financial statements of the RBC QUBE Market Neutral World Equity Fund since its inception in 2015 are provided pursuant to exemptive relief obtained by RBC Global Asset Management Inc. on May 22, 2024. Copies of these annual financial statements are available to investors upon request.

## 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.

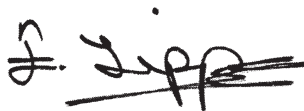
Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



**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.

To the Unitholders of:

<b>Phillips, Hager &amp; North Institutional S.T.I.F.</b>	<b>Phillips, Hager &amp; North Infrastructure Debt Fund</b>	<b>Phillips, Hager &amp; North BlueBay</b>
<b>Phillips, Hager &amp; North Mortgage Pension Trust</b>	<b>Phillips, Hager &amp; North Long Bond Pension Trust</b>	<b>Emerging Market Debt Fund</b>
<b>Phillips, Hager &amp; North High Grade Corporate Bond Fund</b>	<b>Phillips, Hager &amp; North Enhanced Long Bond Pension Trust</b>	<b>Phillips, Hager &amp; North PRisM Balanced Fund</b>
<b>Phillips, Hager &amp; North Investment Grade Corporate Bond Trust</b>	<b>Phillips, Hager &amp; North Long Core Plus Bond Fund</b>	<b>Phillips, Hager &amp; North Enhanced Long Government Bond Fund</b>
<b>Phillips, Hager &amp; North PRisM – Short</b>	<b>Phillips, Hager &amp; North Foreign Bond Fund</b>	<b>Phillips, Hager &amp; North Enhanced PRisM Long Fund</b>
<b>Phillips, Hager &amp; North Enhanced Total Return Bond Fund</b>	<b>Phillips, Hager &amp; North Extended Duration Long Bond Pension Trust</b>	<b>Phillips, Hager &amp; North Absolute Return Fund</b>
<b>Phillips, Hager &amp; North Corporate Bond Trust</b>	<b>Phillips, Hager &amp; North PRisM – Mid</b>	<b>RBC QUBE 120/20 Canadian Equity Fund</b>
<b>Phillips, Hager &amp; North Core Plus Bond Fund</b>	<b>Phillips, Hager &amp; North PRisM – Long</b>	<b>RBC QUBE Market Neutral Canadian Equity Fund</b>
<b>Phillips, Hager &amp; North Long Investment Grade Corporate Bond Trust</b>	<b>Phillips, Hager &amp; North 20+ Strip Fund</b>	<b>Phillips, Hager &amp; North Institutional Gold &amp; Precious Metals Fund</b>
<b>Phillips, Hager &amp; North Long Corporate Bond Trust</b>	<b>Phillips, Hager &amp; North Custom Interest Rate Overlay Fund</b>	<b>Phillips, Hager &amp; North U.S. Pooled Pension Fund</b>
<b>Phillips, Hager &amp; North Long Corporate Bond Trust</b>	<b>Phillips, Hager &amp; North Custom Interest Rate Completion Fund</b>	<b>RBC QUBE Market Neutral U.S. Equity Fund</b>
<b>Phillips, Hager &amp; North Long Mortgage Pension Trust</b>	<b>Phillips, Hager &amp; North BlueBay Emerging Market Debt Fund (CAD Hedged)</b>	<b>RBC QUBE Market Neutral World Equity Fund (CAD Hedged)</b>
<b>Phillips, Hager &amp; North High Yield Mortgage Fund</b>		<b>RBC QUBE Market Neutral World Equity Fund (collectively referred to as the “Funds”)</b>

---

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.

*Deloitte LLP*

Chartered Professional Accountants, Licensed Public Accountants

March 4, 2016

Toronto, Ontario



SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)

RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND

December 31, 2015

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>INVESTMENTS – LONG POSITIONS</b>				
<b>GLOBAL EQUITIES</b>				
<b>Australia</b>				
4 300	Dexus Property Group	\$ 23	\$ 23	
500	Macquarie Group Ltd.	29	30	
4 400	Qantas Airways Ltd.	12	13	
1 900	Westfield Corp.	5	6	
		69	72	1.0
<b>Austria</b>				
1 800	Erste Group Bank AG	55	57	
		55	57	0.8
<b>Belgium</b>				
400	Ageas	16	19	
		16	19	0.3
<b>Bermuda</b>				
2 353	Bunge Ltd.	169	160	
56	Everest Re Group Ltd.	10	10	
		179	170	2.5
<b>Brazil</b>				
5 700	Ambev SA	26	26	
1 600	BB Seguridade Participacoes SA	11	10	
2 300	Equatorial Energia SA	20	20	
2 000	Fibria Celulose SA	28	26	
4 600	JBS SA	17	14	
1 200	Suzano Papel e Celulose SA	5	6	
		107	102	1.5
<b>Canada</b>				
600	Enerplus Corp.	3	2	
		3	2	-
<b>Cayman Islands</b>				
3 600	Sands China Ltd.	14	12	
3 000	Zhen Ding Technology Holding Ltd.	7	7	
		21	19	0.3
<b>China</b>				
10 000	China Citic Bank Corp., Ltd.	6	6	
5 500	China Galaxy Securities Co., Ltd.	5	5	
2 500	China Merchants Bank Co., Ltd.	6	6	
		17	17	0.2
<b>Colombia</b>				
5 100	Almacenes Exito SA	24	22	
		24	22	0.3
<b>Czech Republic</b>				
1 400	CEZ AS	23	25	
		23	25	0.4
<b>Denmark</b>				
400	Danske Bank A/S	10	11	
500	Novo Nordisk A/S	27	29	
		37	40	0.6

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>France</b>				
600	BNP Paribas SA	\$ 37	\$ 34	
500	Lagardere SCA	14	15	
10 700	Peugeot SA	190	188	
900	Safran SA	68	62	
1 700	Veolia Environnement SA	38	40	
2 000	Vivendi SA	49	43	
		396	382	5.5
<b>Germany</b>				
8 600	Commerzbank AG	97	89	
400	Deutsche Lufthansa AG	6	6	
800	Metro AG	26	26	
200	Osram Licht AG	11	8	
1 300	ProSiebenSat.1 Media AG	67	66	
		207	195	2.8
<b>Hong Kong</b>				
5 500	China Mobile Ltd.	68	62	
8 000	China Resources Power Holdings Co., Ltd.	21	16	
14 000	China Southern Airlines Co., Ltd.	9	11	
68 000	CNOOC Ltd.	88	71	
13 000	Evergrande Real Estate Group Ltd.	10	11	
28 000	SJM Holdings Ltd.	28	20	
2 000	Wheelock & Co., Ltd.	9	8	
		233	199	2.9
<b>Hungary</b>				
300	MOL Hungarian Oil & Gas PLC	15	15	
		15	15	0.2
<b>Indonesia</b>				
11 500	United Tractors Tbk PT	15	14	
		15	14	0.2
<b>Italy</b>				
1 300	ENI SPA	20	19	
		20	19	0.3
<b>Japan</b>				
1 600	Alps Electric Co., Ltd.	44	44	
2 200	Amada Co., Ltd.	19	21	
8 000	Daiichi Sankyo Co., Ltd.	154	167	
2 300	Iida Group Holdings Co., Ltd.	39	43	
2 700	Japan Display Inc.	9	8	
4 700	KDDI Corp.	117	123	
200	Kose Corp.	19	19	
1 600	Medipal Holdings Corp.	28	28	
200	MEIJI Holdings Co., Ltd.	15	17	
1 000	Minebea Co., Ltd.	13	9	
6 300	Mitsubishi UFJ Financial Group Inc.	40	40	
1 000	Mitsui Chemicals Inc.	3	5	
36 200	Mizuho Financial Group Inc.	72	73	
700	MS&AD Insurance Group Holdings Inc.	19	21	
100	Nintendo Co., Ltd.	17	14	
4 500	Nippon Telegraph & Telephone Corp.	175	181	
100	Nomura Real Estate Holdings Inc.	2	2	

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



December 31, 2015

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Japan (cont.)</b>				
5 400	NTT DoCoMo Inc.	\$ 110	\$ 112	
2 000	Obayashi Corp.	17	19	
200	Oracle Corp. Japan	8	9	
700	Shionogi & Co., Ltd.	27	32	
400	Sompo Japan Nipponkoa Holdings Inc.	12	13	
15 000	Sumitomo Chemical Co., Ltd.	73	87	
700	Sumitomo Mitsui Financial Group Inc.	26	27	
500	Suzuken Co., Ltd.	18	19	
1 000	Taisei Corp.	6	7	
300	The Dai-ichi Life Insurance Co., Ltd.	5	5	
25 800	Tokyo Electric Power Co., Inc.	177	150	
1 000	TonenGeneral Sekiyu KK	10	8	
6 000	Toppan Printing Co., Ltd.	52	56	
7 400	Yamada Denki Co., Ltd.	29	32	
		<b>1 355</b>	<b>1 391</b>	<b>20.1</b>
<b>Luxembourg</b>				
2 300	Subsea 7 SA	18	16	
		<b>18</b>	<b>16</b>	<b>0.2</b>
<b>Mexico</b>				
2 000	Gruma SAB de CV	29	28	
2 200	Wal-Mart de Mexico SAB de CV	6	6	
		<b>35</b>	<b>34</b>	<b>0.5</b>
<b>Netherlands</b>				
400	Boskalis Westminster NV	17	16	
2 500	Fiat Chrysler Automobiles NV	36	35	
321	LyondellBasell Industries NV	28	28	
7 100	NN Group NV	216	251	
		<b>297</b>	<b>330</b>	<b>4.8</b>
<b>Norway</b>				
1 100	Telenor ASA	18	18	
800	Yara International ASA	37	35	
		<b>55</b>	<b>53</b>	<b>0.8</b>
<b>Poland</b>				
1 100	PGE Polska Grupa Energetyczna SA	4	4	
		<b>4</b>	<b>4</b>	<b>0.1</b>
<b>Singapore</b>				
32 900	Ascendas Real Estate Investment Trust	52	53	
1 233	Ascendas Real Estate Investment Trust, Rights, Expiry January 13, 2016	—	—	
5 858	Flextronics International Ltd.	64	66	
93 000	Yangzijiang Shipbuilding Holdings Ltd.	71	72	
		<b>187</b>	<b>191</b>	<b>2.8</b>
<b>South Africa</b>				
1 800	Barloworld Ltd.	7	7	
3 600	Growthpoint Properties Ltd.	5	5	
19 800	Hyprop Investments Ltd.	180	132	
400	Nedbank Group Ltd.	5	5	
600	Pioneer Foods Ltd.	9	6	
24 800	Redefine Properties Ltd.	20	16	
2 600	Resilient REIT Ltd.	22	19	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>South Africa (cont.)</b>				
6 500	RMB Holdings Ltd.	\$ 32	\$ 23	
1 300	Truworths International Ltd.	8	8	
		<b>288</b>	<b>221</b>	<b>3.2</b>
<b>Spain</b>				
9 600	Endesa SA	197	192	
		<b>197</b>	<b>192</b>	<b>2.8</b>
<b>Sweden</b>				
600	Boliden AB	10	10	
1 900	Industrivarden AB	32	33	
600	Skanska AB	12	12	
200	Swedish Match AB	7	7	
600	Volvo AB	6	6	
		<b>67</b>	<b>68</b>	<b>1.0</b>
<b>Switzerland</b>				
2 200	Swiss Re AG	196	216	
3 500	Transocean Ltd.	43	44	
		<b>239</b>	<b>260</b>	<b>3.8</b>
<b>United Kingdom</b>				
22 700	3i Group PLC	173	161	
1 300	Admiral Group PLC	31	32	
100	Aggreko PLC	1	1	
33 600	Barclays PLC	135	107	
500	Ensco PLC	9	8	
1 500	Imperial Tobacco Group PLC	73	79	
1 400	Royal Mail PLC	10	9	
		<b>432</b>	<b>397</b>	<b>5.8</b>
<b>United States</b>				
1 178	Aflac Inc.	69	71	
802	AGCO Corp.	36	36	
58	Ally Financial Inc.	1	1	
1 822	AmerisourceBergen Corp.	185	189	
267	Analog Devices Inc.	16	15	
1 321	Apple Inc.	142	138	
8	AutoZone Inc.	6	6	
144	Avnet Inc.	6	6	
889	B/E Aerospace Inc.	39	38	
1 605	Best Buy Co., Inc.	58	49	
1 860	Boeing Co.	250	269	
98	Cardinal Health Inc.	9	9	
1 018	Darden Restaurants Inc.	62	65	
3 518	Devon Energy Corp.	124	113	
8 302	Duke Realty Corp.	152	175	
1 302	eBay Inc.	37	36	
198	Electronic Arts Inc.	13	14	
1 882	FNF Group	67	65	
705	Foot Locker Inc.	47	46	
467	GameStop Corp.	14	13	
1 969	General Motors Co.	69	67	
1 484	Hologic Inc.	58	57	
1 165	Host Hotels & Resorts Inc.	18	18	
178	International Business Machines Corp.	24	24	
104	Jones Lang LaSalle Inc.	16	17	
1 522	Juniper Networks Inc.	44	42	
2 238	Kroger Co.	80	94	
762	Linear Technology Corp.	33	32	
457	Lowe's Companies	32	35	
205	Manpowergroup Inc.	17	17	

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



December 31, 2015

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United States (cont.)</b>				
307	Marriott International Inc.	\$ 20	\$ 21	
6 803	Masco Corp.	194	193	
777	Navient Corp.	9	9	
424	Newmont Mining Corp.	8	8	
1 025	Nordstrom Inc.	52	51	
1 078	Nvidia Corp.	33	36	
201	O'Reilly Automotive Inc.	53	51	
228	Skyworks Solutions Inc.	17	18	
2 303	Synchrony Financial	70	70	
1 080	Target Corp.	77	78	
268	Texas Instruments Inc.	15	15	
515	The Goodyear Tire & Rubber Co.	16	17	
227	Total System Services Inc.	12	11	
1 627	United Continental Holdings Inc.	88	93	
147	United Therapeutics Corp.	23	23	
290	Vantiv Inc.	14	14	
1 832	Voya Financial Inc.	67	68	
1 247	Waste Management Inc.	67	67	
2 365	Western Union Co.	44	42	
758	Weyerhaeuser Co.	22	23	
385	Wyndham Worldwide Corp.	27	28	
		2 652	2 693	<b>39.0</b>
		7 263	7 219	<b>104.7</b>
<b>TOTAL INVESTMENTS – LONG POSITIONS</b>				
<b>INVESTMENTS – SECURITIES SOLD SHORT</b>				
<b>GLOBAL EQUITIES</b>				
<b>Cayman Islands</b>				
(1 040)	Alibaba Group Holding Ltd.	(86)	(86)	
(538)	JD.com Inc.	(18)	(17)	
		(104)	(103)	<b>(1.5)</b>
<b>China</b>				
(3 037)	Soufun Holdings Ltd.	(22)	(22)	
		(22)	(22)	<b>(0.3)</b>
<b>Denmark</b>				
(300)	Novozymes SA	(13)	(14)	
		(13)	(14)	<b>(0.2)</b>
<b>France</b>				
(8 800)	Alstom SA	(271)	(270)	
(100)	Iliad SA	(24)	(24)	
(4 300)	Klepierre	(192)	(191)	
(100)	Pernod Ricard SA	(12)	(11)	
(900)	Wendel SA	(106)	(107)	
		(605)	(603)	<b>(8.8)</b>
<b>Germany</b>				
(100)	Henkel AG & Co., KGaA	(11)	(11)	
(5 400)	Telefonica Deutschland Holding AG	(33)	(29)	
(1 900)	Vonovia SE	(59)	(59)	
		(103)	(99)	<b>(1.4)</b>
<b>Ireland</b>				
(6 674)	Willis Group Holdings PLC	(305)	(324)	
		(305)	(324)	<b>(4.7)</b>
<b>Japan</b>				
(1 000)	Aeon Mall Co., Ltd.	(17)	(17)	
(500)	Benesse Holdings Inc.	(13)	(15)	
(900)	Brother Industries Ltd.	(11)	(10)	
(900)	Calbee Inc.	(34)	(38)	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Japan (cont.)</b>				
(100)	FANUC Corp.	\$ (16)	\$ (18)	
(200)	Fast Retailing Co., Ltd.	(83)	(71)	
(1 500)	Hamamatsu Photonics KK	(38)	(42)	
(7 300)	Hulic Co., Ltd.	(68)	(65)	
(4 000)	IHI Corp.	(12)	(11)	
(200)	Kakaku.com Inc.	(4)	(4)	
(1 000)	Keikyu Corp.	(8)	(8)	
(100)	Keyence Corp.	(48)	(56)	
(300)	M3 Inc.	(6)	(6)	
(2 000)	Mitsubishi Estate Co., Ltd.	(44)	(42)	
(1 000)	Mitsubishi Logistics Corp.	(12)	(13)	
(13 000)	Nagoya Railroad Co., Ltd.	(52)	(55)	
(2 600)	Nippon Paint Holdings Co., Ltd.	(54)	(64)	
(700)	NTT Urban Development Corp.	(7)	(7)	
(2 000)	Odakyu Electric Railway Co., Ltd.	(19)	(22)	
(100)	Omron Corp.	(4)	(3)	
(500)	Oriental Land Co., Ltd.	(29)	(30)	
(1 300)	Recruit Holdings Co., Ltd.	(41)	(38)	
(7 000)	Ricoh Co., Ltd.	(67)	(73)	
(17 400)	Seven Bank Ltd.	(76)	(77)	
(1 900)	Softbank Corp.	(112)	(97)	
(200)	Stanley Electric Co., Ltd.	(5)	(4)	
(2 000)	Sumitomo Realty & Development Co., Ltd.	(69)	(58)	
(100)	Suntory Beverage & Food Ltd.	(4)	(4)	
(1 000)	Tobu Railway Co., Ltd.	(4)	(5)	
(3 000)	Toshiba Corp.	(7)	(6)	
(2 400)	Toyota Motor Corp.	(145)	(149)	
(5 200)	Unicharm Corp.	(108)	(107)	
(300)	Yamato Holdings Co., Ltd.	(6)	(6)	
		(1 223)	(1 221)	<b>(17.7)</b>
<b>Luxembourg</b>				
(100)	Millicom International Cellular SA	(6)	(6)	
		(6)	(6)	<b>(0.1)</b>
<b>Mexico</b>				
(13 700)	Grupo Financiero Banorte SAB de CV	(70)	(75)	
		(70)	(75)	<b>(1.1)</b>
<b>Netherlands</b>				
(2 941)	Sensata Technologies Holding NV	(138)	(135)	
		(138)	(135)	<b>(2.0)</b>
<b>Norway</b>				
(900)	Gjensidige Forsikring ASA	(13)	(14)	
(1 100)	Schibsted ASA	(36)	(36)	
		(49)	(50)	<b>(0.7)</b>
<b>Singapore</b>				
(54 900)	SembCorp Industries Ltd.	(137)	(118)	
(2 200)	Singapore Press Holdings Ltd.	(6)	(6)	
		(143)	(124)	<b>(1.8)</b>
<b>South Africa</b>				
(900)	Discovery Ltd.	(9)	(8)	
(3 700)	Mediclinic International Ltd.	(29)	(28)	
(800)	Naspers Ltd.	(103)	(109)	
(1 600)	Sanlam Ltd.	(7)	(6)	
(10 800)	Woolworths Holdings Ltd.	(80)	(70)	
		(228)	(221)	<b>(3.2)</b>

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



December 31, 2015

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Spain</b>				
(9 800)	Banco Bilbao Vizcaya Argentaria SA	\$ (87)	\$ (72)	
(61 900)	Banco Popular Espanol SA	(259)	(206)	
(45 300)	CaixaBank SA	(177)	(158)	
		(523)	(436)	<b>(6.3)</b>
<b>Sweden</b>				
(300)	Alfa Laval AB	(6)	(6)	
(1 400)	Hexagon AB	(45)	(52)	
(1 200)	Lundin Petroleum AB	(17)	(17)	
(300)	Swedbank AB	(7)	(7)	
		(75)	(82)	<b>(1.2)</b>
<b>Switzerland</b>				
(100)	Aryzta AG	(5)	(5)	
(400)	Dufry AG	(50)	(48)	
(600)	Geberit AG	(191)	(204)	
(2 800)	LafargeHolcim Ltd.	(155)	(141)	
(800)	UBS Group AG	(15)	(16)	
		(416)	(414)	<b>(6.0)</b>
<b>United Kingdom</b>				
(1 500)	Aberdeen Asset Management PLC	(7)	(6)	
(9 600)	Amec Foster Wheeler PLC	(91)	(61)	
(1 900)	Associated British Foods PLC	(95)	(94)	
(3 900)	Aviva PLC	(29)	(30)	
(6 800)	Babcock International Group PLC	(99)	(102)	
(4 400)	Cobham PLC	(18)	(18)	
(400)	EasyJet PLC	(10)	(10)	
(200)	Johnson Matthey PLC	(8)	(8)	
(3 900)	Melrose Industries PLC	(17)	(17)	
(700)	Pearson PLC	(11)	(8)	
(600)	Sky PLC	(10)	(10)	
(5 000)	Standard Life PLC	(32)	(29)	
(17 400)	Tesco PLC	(50)	(38)	
		(477)	(431)	<b>(6.3)</b>
<b>United States</b>				
(2 385)	Albemarle Corp.	(114)	(134)	
(930)	Alexion Pharmaceuticals Inc.	(160)	(177)	
(399)	Anadarko Petroleum Corp.	(19)	(19)	
(1 525)	Applied Materials Inc.	(27)	(28)	
(6 677)	Arthur J Gallagher & Co.	(292)	(273)	
(306)	Autodesk Inc.	(19)	(19)	
(467)	BB&T Corp.	(18)	(18)	
(377)	Becton Dickinson and Co.	(58)	(58)	
(215)	BorgWarner Inc.	(10)	(9)	
(2 061)	CarMax Inc.	(123)	(111)	
(8)	Chipotle Mexican Grill Inc.	(4)	(4)	
(744)	Columbia Pipeline Group Inc.	(14)	(15)	
(2 812)	Dollar Tree Inc.	(195)	(217)	
(134)	Duke Energy Corp.	(9)	(10)	
(688)	FireEye Inc.	(16)	(14)	
(1 102)	FMC Corp.	(46)	(43)	
(7 915)	Frontier Communications Corp.	(38)	(37)	
(170)	Harris Corp.	(14)	(15)	
(604)	Hertz Global Holdings Inc.	(11)	(9)	
(126)	Illumina Inc.	(23)	(24)	
(122)	Kansas City Southern	(11)	(9)	
(8 418)	Kinder Morgan Inc.	(259)	(126)	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United States (cont.)</b>				
(1 125)	Level 3 Communications Inc.	\$ (51)	\$ (61)	
(776)	Lululemon Athletica Inc.	(40)	(41)	
(1 694)	McGraw Hill Financial Inc.	(167)	(167)	
(107)	Medivation Inc.	(5)	(5)	
(290)	Monsanto Co.	(28)	(29)	
(356)	NetSuite Inc.	(29)	(30)	
(595)	Puma Biotechnology Inc.	(53)	(47)	
(568)	SBA Communications Corp.	(59)	(60)	
(1 141)	Stericycle Inc.	(137)	(138)	
(1 278)	Symantec Corp.	(26)	(27)	
(417)	Tesla Motors Inc.	(100)	(100)	
(1 527)	The Kraft Heinz Co.	(110)	(111)	
(1 010)	The Progressive Corp.	(31)	(32)	
(1 564)	Trimble Navigation Ltd.	(30)	(34)	
(168)	TripAdvisor Inc.	(14)	(14)	
(2 227)	Twitter Inc.	(57)	(52)	
(1 541)	Under Armour Inc.	(141)	(124)	
(1 458)	Ventas Inc.	(79)	(82)	
(1 080)	Verisk Analytics Inc.	(81)	(83)	
(387)	Walgreens Boots Alliance Inc.	(32)	(33)	
(1 505)	WEC Energy Group Inc.	(76)	(77)	
(218)	Welltower Inc.	(14)	(15)	
(2 514)	Whole Foods Market Inc.	(82)	(84)	
(121)	WW Grainger Inc.	(24)	(25)	
		(2 946)	(2 840)	<b>(41.2)</b>
<b>TOTAL INVESTMENTS – SECURITIES SOLD SHORT</b>		<b>(7 446)</b>	<b>(7 200)</b>	<b>(104.5)</b>
<b>Par Value (000s)</b>	<b>Security</b>	<b>Cost</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
<b>SHORT-TERM INVESTMENTS*</b>				
6 335	United States Treasury Bill	\$ 6 334	\$ 6 334	
<b>TOTAL SHORT-TERM INVESTMENTS</b>		<b>6 334</b>	<b>6 334</b>	<b>91.8</b>
<b>Less: Transaction costs</b>		<b>(8)</b>	<b>–</b>	<b>–</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 6 143</b>	<b>6 353</b>	<b>92.0</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>550</b>	<b>8.0</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>\$ 6 903</b>	<b>100.0</b>

\* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 0.16% to 0.17% and mature between January 7, 2016 and January 21, 2016.



**Statement of Financial Position**

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2015
<b>ASSETS</b>	
Investments at fair value	\$ 13 553
Cash	706
Dividends receivable, interest accrued and other assets	17
<b>TOTAL ASSETS</b>	<b>14 276</b>
<b>LIABILITIES</b>	
Investments in securities sold short	7 200
Stock loan fee payable	2
Redemptions payable	157
Dividends payable on short sales	14
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>7 373</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 6 903</b>
<hr/>	
Investments at cost	\$ 6 143
<hr/>	
<b>NAV</b>	
SERIES I – MAR15	\$ –
SERIES O	\$ 6 903
<hr/>	
<b>NAV PER UNIT</b>	
SERIES I – MAR15	\$ 9.60
SERIES O	\$ 9.55

**Statement of Comprehensive Income**

(in \$000s except per unit amounts)

For the period ended December 31 (see note 2 in the generic notes)	2015
<b>INCOME (see note 3 in the generic notes)</b>	
Dividends	\$ 55
Interest for distribution purposes	2
Net realized gain (loss) on investments	87
Net gain (loss) on foreign currencies and other net assets	(5)
Change in unrealized gain (loss) on investments	210
<b>TOTAL INCOME (LOSS)</b>	<b>349</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>	
Administration fees	1
Transaction costs	14
Withholding tax	8
Stock loan fee	8
Interest on bank overdraft	19
Dividends on short sales	29
<b>TOTAL EXPENSES</b>	<b>79</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 270</b>
<hr/>	
<b>INCREASE (DECREASE) IN NAV</b>	
SERIES I – MAR15	\$ (1)
SERIES O	\$ 271
<hr/>	
<b>INCREASE (DECREASE) IN NAV</b>	
<b>PER REDEEMABLE UNIT</b>	
SERIES I – MAR15	\$ –
SERIES O	\$ 0.40





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

For the period ended December 31 (see note 2 in the generic notes)	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in NAV	\$ 270
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>	
Net realized loss (gain) on investments	(88)
Change in unrealized loss (gain) on investments	(210)
(Increase) decrease in accrued receivables	(17)
Increase (decrease) in accrued payables	16
Cost of investments purchased	(21 895)
Proceeds on sales of investments	15 840
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(6 084)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from issue of redeemable units	6 989
Cash paid on redemption of redeemable units	(199)
Distributions paid to holders of redeemable units	—
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 6 790</b>
Net increase (decrease) in cash for the period	706
Cash (bank overdraft), beginning of period	—
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 706</b>
Interest received	\$ 1
Interest paid	\$ 19
Dividends received, net of withholding taxes	\$ 31
Dividends paid, net of withholding taxes	\$ 15

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
<b>NAV AT BEGINNING OF PERIOD</b>	\$ –	\$ –	\$ –
<b>INCREASE (DECREASE) IN NAV</b>	<b>(1)</b>	<b>271</b>	<b>270</b>
Early redemption fees	–	–	–
Proceeds from redeemable units issued	1	6 988	6 989
Reinvestments of distributions to holders of redeemable units	–	580	580
Redemption of redeemable units	–	(356)	(356)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>1</b>	<b>7 212</b>	<b>7 213</b>
Distributions from net income	–	(580)	(580)
Distributions from net gains	–	–	–
Distributions from capital	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>–</b>	<b>(580)</b>	<b>(580)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>–</b>	<b>6 903</b>	<b>6 903</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ –</b>	<b>\$ 6 903</b>	<b>\$ 6 903</b>



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 securities of issuers listed on global equity markets which are expected to outperform comparable securities, while selling short an equivalent dollar amount of global equity securities which are expected to underperform.

The Fund was started in February 2015.

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

**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	2.9
Netherlands Equities	2.8
Bermuda Equities	2.5
Japan Equities	2.4
Brazil Equities	1.5
Germany Equities	1.4
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	(2.2)
United States Equities	(2.2)
France Equities	(3.3)
Spain Equities	(3.5)
Ireland Equities	(4.7)
Cash/Other	99.8
<b>Total</b>	<b>100.0</b>

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

**Currency risk (% of net assets)**

As at December 31, 2015, if the United States dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.1%. In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (USD000s 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
<b>Equities – long</b>	<b>7 219</b>	–	–	<b>7 219</b>
<b>Equities – short</b>	<b>(7 171)</b>	<b>(29)</b>	–	<b>(7 200)</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>6 334</b>	–	<b>6 334</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>48</b>	<b>6 305</b>	–	<b>6 353</b>
<b>% of total portfolio</b>	<b>0.8</b>	<b>99.2</b>	–	<b>100.0</b>

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

**Custodian**

Credit Suisse Securities (U.S.A.) LLC is the custodian of the Fund and holds the assets of the Fund.

**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%
----------	-------



December 31, 2015

**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.

**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  
(USD000s except unit amounts)**

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

	December 31 2015
<b>Units held</b>	
Series I	50
Series O	50
<b>Value of all units</b>	<b>1</b>

**Taxes (CAD000s) (see note 5 in the generic notes)**

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

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

<b>Series I – Mar15</b>	
Opening units	–
Issued number of units	–
Reinvested number of units	–
Redeemed number of units	–
<b>Ending number of units</b>	<b>–</b>

<b>Series O</b>	
Opening units	–
Issued number of units	699
Reinvested number of units	61
Redeemed number of units	(37)
<b>Ending number of units</b>	<b>723</b>

**Investments by other related investment funds (%)  
(see note 6 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 2015
RBC QUBE Market Neutral World Equity Fund (CAD Hedged)	<b>100.0</b>

## 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.

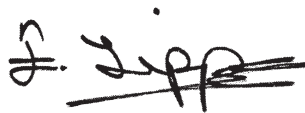
PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have performed an independent audit of the financial statements in accordance with IFRS. Their report is set out on the next page.



**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.

To the Unitholders of:

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

---

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 USD000s)  
**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND**

December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>INVESTMENTS – LONG POSITIONS</b>				
<b>GLOBAL EQUITIES</b>				
<b>Australia</b>				
20 497	Aristocrat Leisure Ltd.	\$ 229	\$ 230	
7 030	CIMIC Group Ltd.	170	178	
21 347	Fortescue Metals Group Ltd.	83	91	
		482	499	<b>1.5</b>
<b>Belgium</b>				
827	Umicore SA	47	47	
		47	47	<b>0.1</b>
<b>Brazil</b>				
15 000	AES Tiete Energia SA	76	65	
25 625	Cia Energetica de Minas Gerais	71	61	
55 200	Petroleo Brasileiro SA	218	252	
		365	378	<b>1.1</b>
<b>Canada</b>				
23 500	Barrick Gold Corp.	371	376	
11 500	Teck Resources Ltd.	263	230	
		634	606	<b>1.8</b>
<b>Cayman Islands</b>				
5 736	New Oriental Education & Technology Group Inc.	268	241	
25 500	WH Group Ltd.	21	21	
		289	262	<b>0.8</b>
<b>China</b>				
190 000	Bank of China Ltd.	84	84	
76 000	China Communications Services Corp., Ltd.	48	48	
762 000	China Petroleum & Chemical Corp.	557	541	
2 990	NetEase Inc.	643	644	
840 000	Sinopec Shanghai Petrochemical Co., Ltd.	412	455	
		1 744	1 772	<b>5.4</b>
<b>Denmark</b>				
19 318	Novo Nordisk A/S	767	698	
840	Pandora A/S	98	110	
14 804	Vestas Wind Systems	1 020	964	
		1 885	1 772	<b>5.4</b>
<b>Finland</b>				
1 197	Elisa OYJ	37	39	
10 221	Kone OYJ	483	459	
2 320	Orion OYJ	100	103	
16 639	UPM-Kymmene OYJ	367	410	
		987	1 011	<b>3.1</b>
<b>France</b>				
70 246	Peugeot SA	1 104	1 148	
9 541	Societe Generale SA	364	470	
		1 468	1 618	<b>4.9</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Germany</b>				
1 834	Covestro AG	\$ 111	\$ 126	
6 273	Deutsche Lufthansa AG	84	81	
1 839	Deutsche Telekom AG	29	32	
632	ProSiebenSat.1 Media AG	22	24	
		246	263	<b>0.8</b>
<b>Hong Kong</b>				
302 000	CNOOC Ltd.	382	378	
20 000	Galaxy Entertainment Group Ltd.	89	87	
		471	465	<b>1.4</b>
<b>Hungary</b>				
7 610	MOL Hungarian Oil & Gas PLC	384	536	
		384	536	<b>1.6</b>
<b>Ireland</b>				
1 220	Accenture PLC	144	143	
		144	143	<b>0.4</b>
<b>Japan</b>				
11 000	Astellas Pharma Inc.	151	153	
1 600	Daiichi Sankyo Co., Ltd.	33	33	
300	Daito Trust Construction Co., Ltd.	46	45	
2 000	Lion Corp.	31	33	
101 000	Mitsui Chemicals Inc.	327	455	
14 700	Mixi Inc.	528	538	
4 700	Nippon Telegraph & Telephone Corp.	184	198	
19 400	NTT DoCoMo Inc.	422	443	
3 100	Otsuka Holdings Co., Ltd.	128	135	
2 400	Sega Sammy Holdings Inc.	36	36	
1 600	Shionogi & Co., Ltd.	70	77	
4 400	Suzuki Motor Corp.	150	155	
		2 106	2 301	<b>7.0</b>
<b>Luxembourg</b>				
14 430	RTL Group SA	1 013	1 060	
75 224	Subsea 7 SA	841	955	
		1 854	2 015	<b>6.1</b>
<b>Malaysia</b>				
309 800	AirAsia BHD	205	158	
		205	158	<b>0.5</b>
<b>Netherlands</b>				
2 982	Koninklijke DSM NV	175	179	
62 113	Koninklijke KPN NV	176	184	
5 439	NN Group NV	172	185	
		523	548	<b>1.7</b>
<b>Poland</b>				
60 881	Polskie Gornictwo Naftowe I Gazownictwo SA	76	82	
		76	82	<b>0.2</b>

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



December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>South Korea</b>				
874	Hyundai Development Co-Engineering & Construction	\$ 29	\$ 33	
874	POSCO	167	186	
6 065	SK Innovation Co., Ltd.	850	736	
		1 046	955	<b>2.9</b>
<b>Spain</b>				
12 120	Amadeus IT Group SA	545	552	
		545	552	<b>1.7</b>
<b>Switzerland</b>				
6 204	Kuehne + Nagel International AG	793	822	
371	Schindler Holding AG	67	66	
65	Sika AG	310	313	
60 403	Transocean Ltd.	682	890	
		1 852	2 091	<b>6.3</b>
<b>Taiwan</b>				
55 000	Inventec Corp.	44	38	
		44	38	<b>0.1</b>
<b>Turkey</b>				
67 007	Yapi ve Kredi Bankasi AS	79	65	
		79	65	<b>0.2</b>
<b>United Kingdom</b>				
129 852	3i Group PLC	1 019	1 130	
11 845	Anglo American PLC	172	170	
5 130	Barratt Developments PLC	30	29	
17 629	GlaxoSmithKline PLC	344	340	
8 066	InterContinental Hotels Group PLC	331	363	
24 129	Johnson Matthey PLC	1 001	949	
11 198	Persimmon PLC	249	246	
56 060	Tesco PLC	149	143	
		3 295	3 370	<b>10.2</b>
<b>United States</b>				
2 764	Akamai Technologies Inc.	188	184	
802	Albemarle Corp.	62	69	
27 812	Applied Materials Inc.	817	897	
8 860	Baxter International Inc.	425	393	
22 527	Best Buy Co., Inc.	880	961	
1 033	Citrix Systems Inc.	94	92	
14 025	Colgate-Palmolive Co.	937	918	
2 640	Darden Restaurants Inc.	203	192	
6 443	Dominos Pizza Inc.	1 014	1 026	
6 172	Dun & Bradstreet Corp.	760	749	
5 605	Equity Residential	336	361	
4 035	F5 Networks Inc.	499	584	
16 813	Gilead Sciences Inc.	1 267	1 204	
5 028	HCA Holdings Inc.	362	372	
19 778	HP Inc.	273	294	
2 146	Intuit Inc.	254	246	
1 046	Kohl's Corp.	45	52	
1 138	Las Vegas Sands Corp.	66	61	
2 137	Lockheed Martin Corp.	541	534	
18 984	NRG Energy Inc.	245	233	
1 179	NVIDIA Corp.	109	126	
2 565	Owens-Illinois Inc.	48	45	
4 578	S&P Global Inc.	551	492	
336	UnitedHealth Group Inc.	54	54	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United States (cont.)</b>				
8 132	VMware Inc.	\$ 641	\$ 640	
2 456	Wal-Mart Stores Inc.	170	170	
		10 841	10 949	<b>33.2</b>
<b>Virgin Islands</b>				
6 886	Michael Kors Holdings Ltd.	336	296	
		336	296	<b>0.9</b>
<b>TOTAL INVESTMENTS – LONG POSITIONS</b>				
<b>INVESTMENTS – SECURITIES SOLD SHORT</b>				
<b>GLOBAL EQUITIES</b>				
<b>Bermuda</b>				
(4 759)	Norwegian Cruise Line Holdings Ltd.	(197)	(202)	
		(197)	(202)	<b>(0.6)</b>
<b>Canada</b>				
(10 500)	Franco-Nevada Corp.	(669)	(629)	
(19 100)	PrairieSky Royalty Ltd.	(381)	(455)	
(39 600)	Silver Wheaton Corp.	(738)	(766)	
		(1 788)	(1 850)	<b>(5.6)</b>
<b>Cayman Islands</b>				
(27 503)	58.Com Inc., ADR	(1 202)	(771)	
(9 767)	Ctrip.com International Ltd.	(419)	(391)	
(255 616)	Fang Holdings Ltd.	(1 098)	(838)	
		(2 719)	(2 000)	<b>(6.1)</b>
<b>Finland</b>				
(247 529)	Nokia OYJ	(1 161)	(1 198)	
		(1 161)	(1 198)	<b>(3.6)</b>
<b>France</b>				
(3 882)	Accor SA	(150)	(145)	
(15 037)	Air Liquide SA	(1 544)	(1 677)	
(1 711)	Alstom SA	(45)	(47)	
(18 481)	Bolloré SA	(65)	(65)	
(4 487)	Wendel SA	(439)	(541)	
		(2 243)	(2 475)	<b>(7.5)</b>
<b>Germany</b>				
(2 389)	Daimler AG	(167)	(178)	
		(167)	(178)	<b>(0.5)</b>
<b>Hungary</b>				
(27 442)	Richter Gedeon Nyrt	(561)	(582)	
		(561)	(582)	<b>(1.8)</b>
<b>Ireland</b>				
(19 166)	Shire PLC	(1 251)	(1 110)	
(107 075)	Weatherford International PLC	(527)	(534)	
(3 867)	Willis Towers Watson PLC	(483)	(473)	
		(2 261)	(2 117)	<b>(6.4)</b>
<b>Israel</b>				
(33 596)	Teva Pharmaceutical Industries Ltd.	(1 270)	(1 218)	
		(1 270)	(1 218)	<b>(3.7)</b>
<b>Italy</b>				
(16 724)	Luxottica Group SpA	(812)	(901)	
		(812)	(901)	<b>(2.7)</b>
<b>Japan</b>				
(76 000)	Aeon Co., Ltd.	(1 082)	(1 079)	
(4 100)	Chugoku Electric Power Co., Inc.	(45)	(48)	
(6 800)	Hokuriku Electric Power Co.	(74)	(76)	
(10 000)	Inpex Corp.	(96)	(100)	

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



December 31, 2016

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Japan (cont.)</b>				
(4 500)	Isuzu Motors Ltd.	\$ (55)	\$ (57)	
(27 800)	JFE Holdings Inc.	(444)	(424)	
(22 100)	JGC Corp.	(372)	(402)	
(15 000)	Kawasaki Heavy Industries Ltd.	(49)	(47)	
(10 000)	Kintetsu Group Holdings Co., Ltd.	(43)	(38)	
(23 000)	Kobe Steel Ltd.	(239)	(220)	
(5 200)	Kubota Corp.	(79)	(74)	
(24 100)	Marui Group Co., Ltd.	(328)	(353)	
(5 000)	Mitsubishi Heavy Industries Ltd.	(22)	(23)	
(15 000)	Nippon Yusen KK	(30)	(28)	
(2 900)	Odakyu Electric Railway Co., Ltd.	(65)	(58)	
(11 700)	Panasonic Corp.	(128)	(119)	
(41 200)	Rakuten Inc.	(450)	(405)	
(29 500)	Ricoh Co., Ltd.	(248)	(250)	
(1 700)	Yokohama Rubber Co., Ltd.	(31)	(31)	
		(3 880)	(3 832)	(11.6)
<b>Luxembourg</b>				
(37 958)	Tenaris SA	(561)	(679)	
		(561)	(679)	(2.1)
<b>Mexico</b>				
(89 323)	Grupo Televisa SAB	(435)	(375)	
		(435)	(375)	(1.1)
<b>Netherlands</b>				
(6 972)	Airbus Group NV	(445)	(462)	
(2 390)	EXOR NV	(82)	(103)	
(9 681)	Koninklijke Ahold Delhaize NV	(201)	(205)	
		(728)	(770)	(2.3)
<b>Norway</b>				
(728)	Yara International ASA	(27)	(29)	
		(27)	(29)	(0.1)
<b>Singapore</b>				
(115 800)	Keppel Corp., Ltd.	(454)	(464)	
(12 400)	Singapore Telecommunications Ltd.	(40)	(31)	
		(494)	(495)	(1.5)
<b>South Africa</b>				
(355)	Naspers Ltd.	(52)	(52)	
		(52)	(52)	(0.2)
<b>Spain</b>				
(14 884)	Ferrovial SA	(266)	(267)	
		(266)	(267)	(0.8)
<b>Sweden</b>				
(3 385)	Alfa Laval AB	(49)	(56)	
(20 433)	Boliden AB	(511)	(535)	
(4 153)	Hennes & Mauritz AB	(124)	(116)	
		(684)	(707)	(2.1)
<b>Switzerland</b>				
(5 445)	Chubb Ltd.	(711)	(719)	
(9 106)	Cie Financiere Richemont SA	(581)	(604)	
		(1 292)	(1 323)	(4.0)
<b>United Kingdom</b>				
(13 244)	Antofagasta PLC	(115)	(110)	
(30 309)	Cobham PLC	(63)	(61)	
(3 544)	Hikma Pharmaceuticals PLC	(95)	(83)	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United Kingdom (cont.)</b>				
(16 591)	Meggitt PLC	\$ (102)	\$ (94)	
(14 789)	Royal Dutch Shell PLC	(374)	(410)	
		(749)	(758)	(2.3)
<b>United States</b>				
(15 081)	Alnylam Pharmaceuticals Inc.	(740)	(565)	
(67)	AMERCO	(22)	(25)	
(1 426)	BorgWarner Inc.	(56)	(56)	
(4 625)	CarMax Inc.	(229)	(298)	
(25 562)	CF Industries Holdings Inc.	(655)	(805)	
(677)	Chipotle Mexican Grill Inc.	(283)	(255)	
(14 182)	Dentsply Sirona Inc.	(839)	(819)	
(15 990)	Dominion Resources Inc.	(1 194)	(1 225)	
(1 879)	Equinix Inc.	(692)	(672)	
(2 517)	Hess Corp.	(161)	(157)	
(1 447)	HollyFrontier Corp.	(39)	(47)	
(2 787)	Iron Mountain Inc.	(93)	(91)	
(1 853)	Jones Lang LaSalle Inc.	(187)	(187)	
(5 045)	KeyCorp.	(87)	(92)	
(4 804)	Marathon Oil Corp.	(68)	(83)	
(23 091)	Marathon Petroleum Corp.	(1 029)	(1 163)	
(509)	Markel Corp.	(461)	(460)	
(3 844)	Marriott Intl Inc.	(311)	(318)	
(3 286)	National Oilwell Varco Inc.	(132)	(123)	
(4 991)	Newell Brands Inc.	(262)	(223)	
(4 762)	Parsley Energy Inc.	(172)	(168)	
(11 380)	PulteGroup Inc.	(226)	(209)	
(1 150)	Roper Technologies Inc.	(216)	(211)	
(17 563)	Schlumberger Ltd.	(1 344)	(1 475)	
(6 122)	Stericycle Inc.	(619)	(472)	
(1 716)	Vertex Pharmaceuticals Inc.	(156)	(126)	
(1 108)	Western Digital Corp.	(66)	(75)	
(13 141)	Weyerhaeuser Co.	(414)	(395)	
		(10 753)	(10 795)	(32.7)
<b>TOTAL INVESTMENTS – SECURITIES SOLD SHORT</b>				
		(33 100)	(32 803)	(99.3)
<b>Par Value (000s)</b>	<b>Security</b>	<b>Cost</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
<b>SHORT-TERM INVESTMENTS*</b>				
33 090	United States Treasury Bill	\$ 33 065	\$ 33 065	
<b>TOTAL SHORT-TERM INVESTMENTS</b>		33 065	33 065	100.3
<b>Less: Transaction costs</b>		(6)	–	–
<b>TOTAL INVESTMENTS</b>		\$ 31 907	33 054	100.3
<b>OTHER NET ASSETS (LIABILITIES)</b>				
<b>ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			(90)	(0.3)
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
		\$ 32 964		100.0

\* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 0.30% to 0.49% and mature between January 12, 2017 and March 23, 2017.

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 2016	December 31 2015
<b>ASSETS</b>		
Investments at fair value	\$ 65 857	\$ 13 553
Cash	272	706
Dividends receivable, interest accrued and other assets	187	17
<b>TOTAL ASSETS</b>	<b>66 316</b>	<b>14 276</b>
<b>LIABILITIES</b>		
Investments in securities sold short	32 803	7 200
Stock loan fee payable	10	2
Redemptions payable	265	157
Dividends payable on short sales	165	14
Accounts payable and accrued expenses	109	–
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>33 352</b>	<b>7 373</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 32 964</b>	<b>\$ 6 903</b>
Investments at cost	\$ 31 907	\$ 6 143
<b>NAV</b>		
<b>SERIES I – MAR15</b>	<b>\$ 1</b>	<b>\$ –</b>
<b>SERIES 0</b>	<b>\$ 32 963</b>	<b>\$ 6 903</b>
<b>NAV PER UNIT</b>		
<b>SERIES I – MAR15</b>	<b>\$ 9.52</b>	<b>\$ 9.60</b>
<b>SERIES 0</b>	<b>\$ 9.46</b>	<b>\$ 9.55</b>

**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
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 832	\$ 55
Interest for distribution purposes	76	2
Other income (loss)	(98)	–
Net realized gain (loss) on investments	532	87
Net gain (loss) on foreign currencies and other net assets	44	(5)
Change in unrealized gain (loss) on investments	936	210
<b>TOTAL INCOME (LOSS)</b>	<b>2 322</b>	<b>349</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Administration fees	6	1
Independent Review Committee costs	1	–
Transaction costs	98	14
Withholding tax	121	8
Stock loan fee	105	8
Interest on bank overdraft	260	19
Dividends on short sales	761	29
Expenses reimbursed by manager	(1)	–
<b>TOTAL EXPENSES</b>	<b>1 351</b>	<b>79</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 971</b>	<b>\$ 270</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES I – MAR15</b>	<b>\$ 1</b>	<b>\$ (1)</b>
<b>SERIES 0</b>	<b>\$ 970</b>	<b>\$ 271</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES I – MAR15</b>	<b>\$ –</b>	<b>\$ –</b>
<b>SERIES 0</b>	<b>\$ 0.28</b>	<b>\$ 0.40</b>



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

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

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 971	\$ 270
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	–
Net realized loss (gain) on investments	(606)	(88)
Change in unrealized loss (gain) on investments	(936)	(210)
(Increase) decrease in accrued receivables	(170)	(17)
Increase (decrease) in accrued payables	268	16
Cost of investments purchased	(248 086)	(21 895)
Proceeds on sales of investments	222 927	15 840
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(25 632)</b>	<b>(6 084)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	33 825	6 989
Cash paid on redemption of redeemable units	(8 627)	(199)
Distributions paid to holders of redeemable units	–	–
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 25 198</b>	<b>\$ 6 790</b>
Net increase (decrease) in cash for the period	(434)	706
Cash (bank overdraft), beginning of period	706	–
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 272</b>	<b>\$ 706</b>
Interest received	\$ 69	\$ 1
Interest paid	\$ 260	\$ 19
Dividends received, net of withholding taxes	\$ 560	\$ 31
Dividends paid, net of withholding taxes	\$ 610	\$ 15

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 O		Total	
	2016	2015	2016	2015	2016	2015
<b>NAV AT BEGINNING OF PERIOD</b>	\$ –	\$ –	\$ 6 903	\$ –	\$ 6 903	\$ –
<b>INCREASE (DECREASE) IN NAV</b>	<b>1</b>	<b>(1)</b>	<b>970</b>	<b>271</b>	<b>971</b>	<b>270</b>
Early redemption fees	–	–	–	–	–	–
Proceeds from redeemable units issued	–	1	33 825	6 988	33 825	6 989
Reinvestments of distributions to holders of redeemable units	–	–	186	580	186	580
Redemption of redeemable units	–	–	(8 735)	(356)	(8 735)	(356)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>–</b>	<b>1</b>	<b>25 276</b>	<b>7 212</b>	<b>25 276</b>	<b>7 213</b>
Distributions from net income	–	–	(186)	(580)	(186)	(580)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>–</b>	<b>–</b>	<b>(186)</b>	<b>(580)</b>	<b>(186)</b>	<b>(580)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>1</b>	<b>–</b>	<b>26 060</b>	<b>6 903</b>	<b>26 061</b>	<b>6 903</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 1</b>	<b>\$ –</b>	<b>\$ 32 963</b>	<b>\$ 6 903</b>	<b>\$ 32 964</b>	<b>\$ 6 903</b>



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 securities of issuers listed on global equity markets which are expected to outperform comparable securities, while selling short an equivalent dollar amount of global equity securities which are expected to underperform.

The Fund was started in February 2015.

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

**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	(2.2)
Australia Equities	1.5	1.0
Hong Kong Equities	1.4	2.9
Brazil Equities	1.1	1.5
Virgin Islands Equities	0.9	–
Spain Equities	0.9	(3.5)
Malaysia Equities	0.5	–
United States Equities	0.5	(2.2)
Germany Equities	0.3	1.4
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)	2.8
Bermuda Equities	(0.6)	2.5
Mexico Equities	(1.1)	(0.6)
Singapore Equities	(1.5)	1.0
Sweden Equities	(2.1)	(0.2)
France Equities	(2.6)	(3.3)
Italy Equities	(2.7)	0.3
Israel Equities	(3.7)	–

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

	December 31 2016	December 31 2015
Investment mix		
Canada Equities	(3.8)	–
Japan Equities	(4.6)	2.4
Cayman Islands Equities	(5.3)	(1.2)
Ireland Equities	(6.0)	(4.7)
Cash/Other	100.0	99.8
Total	100.0	100.0

**Currency risk (% of net assets)**

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	December 31 2016	December 31 2015
Currency		
Danish krone	5.3	0.4
Hong Kong dollar	4.8	3.3
Pound sterling	4.6	(0.6)
South Korean won	2.9	–
Norwegian krone	2.8	0.3
Swiss franc	1.8	(2.2)
Australian dollar	1.5	1.0
Brazilian real	1.1	1.5
Mexican peso	(1.2)	(0.6)
Singapore dollar	(1.5)	–
Swedish krona	(2.1)	(0.3)
Canadian dollar	(3.7)	–
Euro	(4.2)	0.4
Japanese yen	(4.6)	2.4
Other currencies	0.8	1.2
Total	8.3	6.8

As at December 31, 2016, if the United States dollar had strengthened or weakened by 1% in relation to all other currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.1% (December 31, 2015 – 0.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**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 (USD)	+ or - 0.0

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.



December 31, 2016

**Fair value hierarchy (USD000s 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
<b>Equities – long</b>	<b>32 792</b>	–	–	<b>32 792</b>
<b>Equities – short</b>	<b>(32 485)</b>	<b>(318)</b>	–	<b>(32 803)</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>33 065</b>	–	<b>33 065</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>307</b>	<b>32 747</b>	–	<b>33 054</b>
<b>% of total portfolio</b>	<b>50.5</b>	<b>49.5</b>	–	<b>100.0</b>

December 31, 2015	Level 1	Level 2	Level 3	Total
Equities – long	7 219	–	–	7 219
Equities – short	(7 171)	(29)	–	(7 200)
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	6 334	–	6 334
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>48</b>	<b>6 305</b>	–	<b>6 353</b>
<b>% of total portfolio</b>	<b>0.8</b>	<b>99.2</b>	–	<b>100.0</b>

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

**Custodian**

Credit Suisse Securities (U.S.A.) LLC and Scotia Capital Inc. are the custodians of the Fund and hold the assets of the Fund.

**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 O	n/a <sup>†</sup>	0.02%

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

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

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

**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.” 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**  
**(USD000s 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
<b>Units held</b>		
Series I	<b>55</b>	50
Series O	<b>56</b>	50
<b>Value of all units</b>	<b>1</b>	1

**Taxes (CAD000s) (see note 5 in the generic notes)**

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

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
<b>Series I – Mar15</b>		
Opening units	–	–
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	–	–
<b>Series O</b>		
Opening units	<b>723</b>	–
Issued number of units	<b>3 676</b>	699
Reinvested number of units	<b>20</b>	61
Redeemed number of units	<b>(935)</b>	(37)
Ending number of units	<b>3 484</b>	723



December 31, 2016

### Transaction costs (USD000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2016		December 30 2015	
	\$	%	\$	%
Total transaction costs	98	100	14	100
Related-party brokerage commissions*	–	–	–	–
Commission arrangements†	–	–	–	–

\* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as “soft dollars”) for research and/or order execution goods and services.

### 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 QUBE Market Neutral World Equity Fund (CAD Hedged)	99.9	100.0

## 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



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 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 High Grade Corporate Bond Fund	Phillips, Hager & North Long Bond Pension Trust	RBC Total Return Growth Fund
Phillips, Hager & North Investment Grade Corporate Bond Trust	Phillips, Hager & North Enhanced Long Bond Pension Trust	Phillips, Hager & North Absolute Return Fund
Phillips, Hager & North PRisM – Short	Phillips, Hager & North Long Core Plus Bond Fund	RBC Multi-Strategy Alpha 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 20+ Strip Fund	Phillips, Hager & North Institutional Gold & Precious Metals Fund
Phillips, Hager & North Core Plus Bond Fund	Phillips, Hager & North Custom Interest Rate Overlay Fund	RBC Canadian Preferred Share Fund
Phillips, Hager & North Alpha Plus Bond Fund	Phillips, Hager & North Custom Interest Rate Completion Fund	RBC Alpha Plus U.S. Equity Fund
Phillips, Hager & North Long Municipal Plus Bond Fund	Phillips, Hager & North PRisM Levered Government Bond Fund	RBC QUBE Market Neutral World Equity Fund (CAD Hedged)
Phillips, Hager & North Long Investment Grade Corporate Bond Trust	BlueBay Canadian Institutional Global High Yield Bond Fund	RBC QUBE Market Neutral World Equity Fund
Phillips, Hager & North Long Corporate Bond Trust	Phillips, Hager & North BlueBay Emerging Market Debt Fund	RBC Market Neutral Equity Fund
	BonaVista Private Balanced Fund	RBC QUBE Custom Global Equity Fund
	BonaVista Balanced 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, 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 USD000s)  
**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND**

December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>INVESTMENTS – LONG POSITIONS</b>				
<b>GLOBAL EQUITIES</b>				
<b>Australia</b>				
9 358	Aristocrat Leisure Ltd.	\$ 172	\$ 172	
1 280	Flight Centre Travel Group Ltd.	44	44	
312 941	Fortescue Metals Group Ltd.	1 251	1 184	
239 545	Qantas Airways Ltd.	1 117	939	
15 225	Stockland Real Estate Investment Trust	52	53	
		2 636	2 392	<b>5.3</b>
<b>Belgium</b>				
777	Ageas	38	38	
		38	38	<b>0.1</b>
<b>Brazil</b>				
100 200	Petroleo Brasileiro S.A.	440	486	
45 000	Transmissora Alianca de Energia Eletrica S.A.	283	290	
		723	776	<b>1.7</b>
<b>Canada</b>				
1 600	Constellation Software Inc.	798	969	
		798	969	<b>2.2</b>
<b>China</b>				
1 448 000	China Petroleum & Chemical Corp.	1 085	1 061	
773 000	CNOOC Ltd.	948	1 110	
51 500	Sino-Ocean Group Holding Ltd.	34	35	
		2 067	2 206	<b>4.9</b>
<b>Denmark</b>				
708	H. Lundbeck A/S	34	36	
40 147	Novo Nordisk A/S	1 716	2 157	
12 186	Vestas Wind Systems A/S	956	842	
		2 706	3 035	<b>6.8</b>
<b>France</b>				
42	Dassault Aviation S.A.	66	65	
10 276	Peugeot S.A.	160	209	
		226	274	<b>0.6</b>
<b>Germany</b>				
19 065	Covestro AG	1 445	1 965	
46 371	Deutsche Lufthansa AG	1 186	1 706	
2 795	Hochtief AG	472	494	
		3 103	4 165	<b>9.3</b>
<b>Hong Kong</b>				
28 500	Kerry Properties Ltd.	111	128	
39 500	Shimao Property Holdings Ltd.	77	86	
		188	214	<b>0.5</b>
<b>Italy</b>				
10 192	Ferrari N.V.	1 079	1 068	
		1 079	1 068	<b>2.4</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Japan</b>				
10 300	Brother Industries Ltd.	\$ 240	\$ 253	
161 000	Hitachi Ltd.	1 202	1 249	
127 000	Kajima Corp.	1 188	1 220	
91 100	Marubeni Corp.	590	659	
19 700	Mitsubishi Gas Chemical Co. Inc.	428	564	
18 500	Mixi Inc.	817	829	
3 700	Nexon Co. Ltd.	109	107	
500	Nitto Denko Corp.	50	44	
3 200	Sony Corp.	142	144	
2 100	Sumitomo Heavy Industries Ltd.	87	88	
1 100	Suzuken Co. Ltd.	43	45	
15 400	Taisei Corp.	779	766	
80 200	Tokyo Electric Power Co. Holdings Inc.	319	317	
		5 994	6 285	<b>14.0</b>
<b>Mexico</b>				
685 600	America Movil S.A.B. de C.V.	574	590	
82 200	Fibra Uno Administracion S.A. de C.V. Real Estate Investment Trust	125	122	
3 800	Grupo Aeroportuario del Pacifico S.A.B. de C.V.	39	39	
6 500	Grupo Financiero Banorte S.A.B. de C.V.	35	36	
		773	787	<b>1.8</b>
<b>Norway</b>				
56 275	Subsea 7 S.A.	631	843	
		631	843	<b>1.9</b>
<b>Poland</b>				
2 025	Grupa Lotos S.A.	36	34	
		36	34	<b>0.1</b>
<b>South Africa</b>				
45 589	Coronation Fund Managers Ltd.	245	271	
6 455	Hyprop Investments Ltd. Real Estate Investment Trust	47	61	
		292	332	<b>0.7</b>
<b>South Korea</b>				
19 962	Daewoo Engineering & Construction Co. Ltd.	116	111	
1 254	Hana Financial Group Inc.	38	58	
362	Hyundai Heavy Industries	44	34	
12 260	Korea Gas Corp.	500	489	
788	LG Electronics Inc.	56	78	
3 428	SK Innovation Co. Ltd.	480	656	
		1 234	1 426	<b>3.2</b>
<b>Spain</b>				
1 269	ACS Actividades de Construccion y Servicios S.A.	49	50	
		49	50	<b>0.1</b>

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





December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Sweden</b>				
4 158	Essity AB	\$ 121	\$ 118	
8 208	Industrivarden AB	203	202	
2 666	Swedish Match AB	103	105	
		427	425	<b>0.9</b>
<b>Switzerland</b>				
1 616	Partners Group Holding AG	1 023	1 107	
3 033	Roche Holdings AG Genussscheine	723	767	
		1 746	1 874	<b>4.2</b>
<b>United Kingdom</b>				
86 475	Fiat Chrysler Automobiles N.V.	1 454	1 544	
28 206	Tate & Lyle Plc.	256	267	
		1 710	1 811	<b>4.0</b>
<b>United States</b>				
729	Arista Networks Inc.	171	172	
3 951	Boeing Co.	964	1 166	
5 100	Cadence Design Systems Inc.	222	213	
13 335	Centene Corp.	1 181	1 346	
6 992	Clorox Company	896	1 040	
4 080	Electronic Arts Inc.	471	429	
22 536	H&R Block, Inc.	621	591	
14 792	Intuit Inc.	1 932	2 335	
265	Intuitive Surgical Inc.	98	97	
4 734	KLA-Tencor Corp.	486	497	
9 114	Lam Research Corp.	1 714	1 678	
11 598	Michael Kors Holdings Ltd.	549	730	
2 988	MSCI Inc.	386	378	
45 573	Navient Corp.	594	607	
34 393	NRG Energy Inc.	861	980	
3 815	Nvidia Corp.	789	738	
238	NVR Inc.	813	835	
1 372	Palo Alto Networks Inc.	199	199	
8 955	PayPal Holdings Inc.	684	659	
4 593	Philip Morris International Inc.	510	485	
18 654	Rollins Inc.	818	868	
65 547	Transocean Ltd.	675	700	
4 340	United Therapeutics Corp.	573	642	
4 351	Western Digital Corp.	360	346	
		16 567	17 731	<b>39.6</b>
<b>TOTAL INVESTMENTS – LONG POSITIONS</b>		43 023	46 735	<b>104.3</b>
<b>INVESTMENTS – SECURITIES SOLD SHORT</b>				
<b>GLOBAL EQUITIES</b>				
<b>Canada</b>				
(54 700)	Enbridge Inc.	(2 131)	(2 139)	
(15 200)	SNC-Lavalin Group Inc.	(666)	(690)	
		(2 797)	(2 829)	<b>(6.3)</b>
<b>China</b>				
(38 063)	Ctrip.com International Ltd. ADR	(1 832)	(1 679)	
(87 361)	Fang Holdings Ltd. ADR	(247)	(487)	
(731)	Netease.com ADR	(239)	(252)	
		(2 318)	(2 418)	<b>(5.4)</b>
<b>Denmark</b>				
(10 938)	Orsted A/S	(582)	(596)	
		(582)	(596)	<b>(1.3)</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>France</b>				
(1 340)	Air Liquide S.A.	\$ (136)	\$ (168)	
(43 318)	Bollore S.A.	(215)	(235)	
(29 577)	Carrefour S.A.	(592)	(638)	
(4 891)	Cie Generale D'Optique Essilor International S.A.	(614)	(674)	
(4 872)	SEB S.A.	(889)	(902)	
(1 161)	Wendel	(188)	(201)	
		(2 634)	(2 818)	<b>(6.3)</b>
<b>Germany</b>				
(13 665)	Daimler AG	(1 073)	(1 154)	
(11 560)	Fresenius SE	(909)	(894)	
(2 805)	GEA Group AG	(121)	(134)	
(17 559)	Infineon Technologies AG	(482)	(479)	
		(2 585)	(2 661)	<b>(6.0)</b>
<b>Japan</b>				
(12 900)	Acom Co. Ltd.	(56)	(54)	
(4 400)	Bridgestone Corp.	(201)	(204)	
(9 400)	Central Japan Railway Co.	(1 648)	(1 682)	
(15 800)	Kansai Paint Co. Ltd.	(406)	(410)	
(1 200)	Keio Dentesu Electric Railway	(52)	(53)	
(65 100)	Marui Co. Ltd.	(916)	(1 190)	
(7 900)	Murata Manufacturing Co. Ltd.	(1 077)	(1 058)	
(7 700)	Nidec Corp.	(981)	(1 078)	
(64 600)	Nippon Yusen Kabushiki Kaisha	(1 370)	(1 572)	
(26 200)	Nissan Motor Co. Ltd.	(250)	(261)	
( 600)	Nitori Co. Ltd.	(91)	(85)	
(45 500)	Renesas Electronics Corp.	(544)	(528)	
(1 400)	Shimano Inc.	(192)	(197)	
(4 500)	Toyota Industries Corp.	(267)	(288)	
		(8 051)	(8 660)	<b>(19.3)</b>
<b>Luxembourg</b>				
(26 541)	Tenaris S.A.	(405)	(421)	
		(405)	(421)	<b>(1.0)</b>
<b>Mexico</b>				
(39 900)	Grupo Mexico S.A.B. de C.V.	(129)	(132)	
(136 323)	Grupo TeleVisa S.A. USD	(632)	(510)	
		(761)	(642)	<b>(1.4)</b>
<b>New Zealand</b>				
(20 069)	Fletcher Building Ltd.	(98)	(108)	
		(98)	(108)	<b>(0.2)</b>
<b>Singapore</b>				
(61 500)	Singapore Telecommunications Ltd.	(170)	(164)	
		(170)	(164)	<b>(0.4)</b>
<b>South Africa</b>				
(110 325)	Brait SE	(562)	(372)	
(1 062)	Naspers Ltd.	(190)	(294)	
		(752)	(666)	<b>(1.5)</b>
<b>Spain</b>				
(22 100)	Bankia S.A.	(105)	(105)	
(35 022)	Grifols S.A.	(1 037)	(1 024)	
(99 052)	Iberdrola S.A.	(786)	(767)	
		(1 928)	(1 896)	<b>(4.2)</b>

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



December 31, 2017

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Sweden</b>				
(28 008)	Assa Abloy AB	\$ (588)	\$ (581)	
(17 824)	Hennes & Mauritz AB, Series B	(459)	(369)	
(26 546)	Hexagon AB	(1 263)	(1 326)	
(68 147)	Telia Co. AB	(304)	(304)	
		<u>(2 614)</u>	<u>(2 580)</u>	<u>(5.8)</u>
<b>United Kingdom</b>				
(15 916)	BP Plc.	(95)	(112)	
(7 889)	John Wood Group Plc.	(75)	(69)	
(6 721)	Reckitt Benckiser Plc.	(641)	(627)	
(25 966)	Shire Plc.	(1 583)	(1 346)	
		<u>(2 394)</u>	<u>(2 154)</u>	<u>(4.8)</u>
<b>United States</b>				
(6 079)	Analog Devices Inc.	(519)	(541)	
(7 104)	Andeavor	(710)	(813)	
(6 548)	Berkshire Hathaway Inc., Class B	(1 296)	(1 301)	
(9 955)	CBOE Global Markets Inc.	(1 077)	(1 240)	
(10 651)	Crown Castle International Corp. Real Estate Investment Trust	(1 116)	(1 183)	
(425)	Diamondback Energy Inc.	(42)	(54)	
(19 382)	DowDuPont Inc.	(1 363)	(1 382)	
(15 498)	Gartner Inc.	(1 892)	(1 909)	
(85 198)	Hewlett Packard Enterprise Co.	(1 232)	(1 223)	
(24 426)	Johnson Controls International Plc.	(973)	(931)	
(14 747)	Knight-Swift Transportation Holdings Inc.	(576)	(645)	
(368)	Markel Corp.	(383)	(419)	
(62 948)	Parsley Energy Inc.	(1 707)	(1 853)	
(8 495)	Regency Centers Corp. Real Estate Investment Trust	(529)	(588)	
(22 188)	Schlumberger Ltd.	(1 634)	(1 497)	
(4 446)	TD Ameritrade Holding Corp.	(235)	(227)	
(8 714)	Wabtec Corp.	(684)	(710)	
(239 260)	Weatherford International Plc.	(1 116)	(998)	
(26 000)	Zayo Group Holdings Inc.	(933)	(957)	
		<u>(18 017)</u>	<u>(18 471)</u>	<u>(41.2)</u>
<b>TOTAL INVESTMENTS – SECURITIES SOLD SHORT</b>		<u>(46 106)</u>	<u>(47 084)</u>	<u>(105.1)</u>

Par Value (000s)	Security	Cost	Fair Value	% of Net Assets
<b>SHORT-TERM INVESTMENTS*</b>				
25 475	United States Treasury Bills	\$ 25 403	\$ 25 403	
<b>TOTAL SHORT-TERM INVESTMENTS</b>		<u>25 403</u>	<u>25 403</u>	<u>56.7</u>
<b>TOTAL INVESTMENTS</b>		<u>\$ 22 320</u>	<u>25 054</u>	<u>55.9</u>
<b>CASH</b>			<u>20 065</u>	<u>44.8</u>
<b>OTHER NET ASSETS (LIABILITIES)</b>				
<b>ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			<u>(321)</u>	<u>(0.7)</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			<u>\$ 44 798</u>	<u>100.0</u>

\* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 1.05% to 1.24% and mature between January 4, 2018 and February 15, 2018.



### Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2017	December 31 2016
<b>ASSETS</b>		
Investments at fair value	\$ 72 138	\$ 65 857
Cash	20 065	272
Dividends receivable, interest accrued and other assets	84	187
<b>TOTAL ASSETS</b>	<b>92 287</b>	<b>66 316</b>
<b>LIABILITIES</b>		
Investments in securities sold short	47 084	32 803
Stock loan fee payable	33	10
Redemptions payable	–	265
Dividends payable on short sales	29	165
Accounts payable and accrued expenses	343	109
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>47 489</b>	<b>33 352</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 44 798</b>	<b>\$ 32 964</b>
Investments at cost	\$ 22 320	\$ 31 907
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 50</b>	<b>\$ –</b>
<b>SERIES F</b>	<b>\$ 1</b>	<b>\$ 1</b>
<b>SERIES O</b>	<b>\$ 44 747</b>	<b>\$ 32 963</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 9.68</b>	<b>\$ –</b>
<b>SERIES F</b>	<b>\$ 10.12</b>	<b>\$ 9.52</b>
<b>SERIES O</b>	<b>\$ 10.13</b>	<b>\$ 9.46</b>

### 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
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 1 032	\$ 832
Interest for distribution purposes	348	76
Other income (loss)	34	(98)
Net realized gain (loss) on investments	3 745	532
Net gain (loss) on foreign currencies and other net assets	(7)	44
Change in unrealized gain (loss) on investments	1 384	936
<b>TOTAL INCOME (LOSS)</b>	<b>6 536</b>	<b>2 322</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	2	–
Administration fees	6	6
Independent Review Committee costs	1	1
GST/HST	1	–
Transaction costs	350	98
Withholding tax	152	121
Stock loan fee	49	105
Interest on bank overdraft	501	260
Dividends on short sales	742	761
Expenses reimbursed by manager	–	(1)
<b>TOTAL EXPENSES</b>	<b>1 804</b>	<b>1 351</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 4 732</b>	<b>\$ 971</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ (1)</b>	<b>\$ –</b>
<b>SERIES F</b>	<b>\$ (21)</b>	<b>\$ 1</b>
<b>SERIES O</b>	<b>\$ 4 754</b>	<b>\$ 970</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ (6.99)</b>	<b>\$ –</b>
<b>SERIES F</b>	<b>\$ (0.96)</b>	<b>\$ –</b>
<b>SERIES O</b>	<b>\$ 1.16</b>	<b>\$ 0.28</b>



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

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

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 4 732	\$ 971
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(3 448)	(606)
Change in unrealized loss (gain) on investments	(1 384)	(936)
(Increase) decrease in accrued receivables	(33)	(170)
Increase (decrease) in accrued payables	257	268
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(363 760)	(248 086)
Proceeds from sale and maturity of investments	376 592	222 927
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>12 956</b>	<b>(25 632)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	15 634	33 825
Cash paid on redemption of redeemable units	(8 797)	(8 627)
Distributions paid to holders of redeemable units	–	–
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 6 837</b>	<b>\$ 25 198</b>
Net increase (decrease) in cash for the period	19 793	(434)
Cash (bank overdraft), beginning of period	272	706
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 20 065</b>	<b>\$ 272</b>
Interest received (paid)	\$ 297	\$ (191)
Dividends received, net of withholding taxes	\$ 169	\$ (50)



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 O		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>NAV AT BEGINNING OF PERIOD</b>	\$ -	\$ -	\$ 1	\$ -	\$ 32 963	\$ 6 903	\$ 32 964	\$ 6 903
<b>INCREASE (DECREASE) IN NAV</b>	(1)	-	(21)	1	4 754	970	4 732	971
Early redemption fees	-	-	-	-	-	-	-	-
Proceeds from redeemable units issued	51	-	2 936	-	12 647	33 825	15 634	33 825
Reinvestments of distributions to holders of redeemable units	2	-	-	-	2 099	186	2 101	186
Redemption of redeemable units	-	-	(2 915)	-	(5 617)	(8 735)	(8 532)	(8 735)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>53</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>9 129</b>	<b>25 276</b>	<b>9 203</b>	<b>25 276</b>
Distributions from net income	-	-	-	-	-	(186)	-	(186)
Distributions from net gains	(2)	-	-	-	(2 099)	-	(2 101)	-
Distributions from capital	-	-	-	-	-	-	-	-
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 099)</b>	<b>(186)</b>	<b>(2 101)</b>	<b>(186)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>50</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>11 783</b>	<b>26 060</b>	<b>11 834</b>	<b>26 061</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 50</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 44 747</b>	<b>\$ 32 963</b>	<b>\$ 44 798</b>	<b>\$ 32 964</b>



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 securities of issuers listed on global equity markets which are expected to outperform comparable securities, while selling short an equivalent dollar amount of global equity securities which are expected to underperform.

Series A units were started August 31, 2017.

All outstanding Series I – Mar15 units were renamed Series F units effective August 31, 2017.

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

#### 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	5.5	5.4
Australia	5.3	1.5
Switzerland	4.2	2.3
Germany	3.3	0.3
South Korea	3.2	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)
Poland	0.1	0.2
Belgium	0.1	0.1
Virgin Islands	–	0.9
Malaysia	–	0.5
Turkey	–	0.2
Taiwan	–	0.1
Hungary	–	(0.2)
Finland	–	(0.5)
Bermuda	–	(0.6)
Netherlands	–	(0.6)
Israel	–	(3.7)
Cayman Islands	–	(5.3)
Ireland	–	(6.0)
New Zealand	(0.2)	–
Singapore	(0.4)	(1.5)
China	(0.5)	5.4
United Kingdom	(0.8)	7.9
South Africa	(0.8)	(0.2)
Luxembourg	(1.0)	4.0
United States	(1.6)	0.5
Canada	(4.1)	(3.8)

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

Investment mix	December 31 2017	December 31 2016
Spain	(4.1)	0.9
Sweden	(4.9)	(2.1)
Japan	(5.3)	(4.6)
France	(5.7)	(2.6)
Cash/Other	100.8	100.0
Total	100.0	100.0

#### Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2017	December 31 2016
Hong Kong dollar	5.4	4.8
Danish krone	5.4	5.3
Australian dollar	5.3	1.5
Swiss franc	4.2	1.8
South Korean won	3.2	2.9
Norwegian krone	1.9	2.8
Brazilian real	1.7	1.1
South African rand	(0.7)	–
Euro	(1.5)	(4.2)
Pound sterling	(4.2)	4.6
Swedish krona	(4.8)	(2.1)
Japanese yen	(5.3)	(4.6)
Singapore dollar	–	(1.5)
Canadian dollar	–	(3.7)
Mexican peso	–	(1.2)
Other currencies	(0.2)	0.8
Total	10.4	8.3

As at December 31, 2017, if the United States dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 0.5% (December 31, 2016 – 0.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

#### 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 (USD)	+ or - 0.0	+ 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.



December 31, 2017

**Fair value hierarchy (USD000s 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
<b>Equities – long</b>	<b>20 264</b>	<b>26 472</b>	–	<b>46 736</b>
<b>Equities – short</b>	<b>(24 360)</b>	<b>(22 724)</b>	–	<b>(47 084)</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>25 403</b>	–	<b>25 403</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>(4 096)</b>	<b>29 151</b>	–	<b>25 055</b>
<b>% of total portfolio</b>	<b>(16.3)</b>	<b>116.3</b>	–	<b>100.0</b>

December 31, 2016	Level 1	Level 2	Level 3	Total
<b>Equities – long</b>	<b>32 792</b>	–	–	<b>32 792</b>
<b>Equities – short</b>	<b>(32 485)</b>	<b>(318)</b>	–	<b>(32 803)</b>
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>33 065</b>	–	<b>33 065</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>307</b>	<b>32 747</b>	–	<b>33 054</b>
<b>% of total portfolio</b>	<b>50.5</b>	<b>49.5</b>	–	<b>100.0</b>

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

**Custodian**

Credit Suisse Securities (U.S.A.) LLC and Scotia Capital Inc. are the custodians of the Fund, hold the assets of the Fund and earn a fee as the custodians, which is paid by the manager from the fixed administration fee paid by the Fund.

**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% <sup>†</sup>	0.02%
Series O	n/a <sup>†</sup>	0.02%

\* Effective September 1, 2017, the management fees for Series F 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%

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

**Investments by related parties  
(USD000s 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
<b>Units held</b>		
Series A	<b>52</b>	–
Series F	<b>57</b>	55
Series O	<b>59</b>	56
<b>Value of all units</b>	<b>2</b>	1

**Taxes (CAD000s) (see note 6 in the generic notes)**

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

The Fund had no capital or non-capital losses as at 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
<b>Series A</b>		
Opening units	–	–
Issued number of units	<b>5</b>	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	<b>5</b>	–





December 31, 2017

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

	2017	2016
<b>Series F</b>		
Opening units	–	–
Issued number of units	268	–
Reinvested number of units	–	–
Redeemed number of units	(268)	–
Ending number of units	–	–
<b>Series O</b>		
Opening units	3 484	723
Issued number of units	1 252	3 676
Reinvested number of units	207	20
Redeemed number of units	(528)	(935)
Ending number of units	4 415	3 484

### Transaction costs (USD000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2017		December 31 2016	
	\$	%	\$	%
Total transaction costs	350	100	98	100
Related-party brokerage commissions*	1	–	–	–
Commission arrangements†	–	–	–	–

\* See note 8 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as “soft dollars”) for research and/or order execution goods and services.

### 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 QUBE Market Neutral World Equity Fund (CAD Hedged)	99.9	99.9

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 11, 2019



SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)  
RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND

December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>INVESTMENTS – LONG POSITIONS</b>				
<b>GLOBAL EQUITIES</b>				
<b>Australia</b>				
4 821	Cochlear Limited	\$ 647	\$ 591	
7 107	Flight Centre Travel Group Ltd.	230	215	
896 853	Qantas Airways Ltd.	3 759	3 659	
96 057	Telstra Corp. Ltd.	207	193	
58 852	Wesfarmers Ltd.	1 982	1 337	
		6 825	5 995	<b>4.0</b>
<b>Brazil</b>				
24 500	Braskem S.A. Preference	300	300	
33 000	Cia de Saneamento Basico do Estado de Sao Paulo	217	268	
8 000	Vale S.A.	106	105	
		623	673	<b>0.5</b>
<b>Canada</b>				
5 400	Constellation Software Inc.	3 515	3 457	
9 017	West Fraser Timber Co. Ltd.	560	445	
		4 075	3 902	<b>2.6</b>
<b>China</b>				
1 638 000	Agile Group Holdings Ltd.	1 871	1 932	
1 624 000	China Petroleum & Chemical Corp.	1 368	1 158	
244 000	Genscript Biotech Corp.	362	327	
2 208 500	Greentown China Holdings Ltd.	1 499	1 661	
110 000	Kunlun Energy Co. Ltd.	118	117	
286 500	Sinotruk Hong Kong Ltd.	409	432	
606 000	Yanzhou Coal Mining Co. Ltd.	536	489	
9 824	YY Inc. ADR	677	588	
1 578 000	Zijin Mining Group Co. Ltd.	571	598	
		7 411	7 302	<b>4.9</b>
<b>Denmark</b>				
15 239	Coloplast A/S	1 431	1 415	
13 103	H. Lundbeck A/S	768	576	
110 322	Novo Nordisk A/S	5 084	5 059	
12 112	Pandora A/S	590	494	
		7 873	7 544	<b>5.0</b>
<b>Finland</b>				
23 935	Neste OYJ	1 962	1 850	
38 848	Stora Enso OYJ, R Shares	627	449	
46 920	UPM-Kymmene OYJ	1 588	1 186	
		4 177	3 485	<b>2.3</b>
<b>France</b>				
925	Dassault Aviation S.A.	1 410	1 283	
218 690	Peugeot S.A.	5 519	4 627	
		6 929	5 910	<b>3.9</b>
<b>Germany</b>				
4 065	Adidas AG	867	850	
86 946	Covestro AG	6 766	4 309	
53 897	Deutsche Lufthansa AG	1 504	1 216	
38 477	Deutsche Telekom AG	677	654	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Germany (cont.)</b>				
7 123	Henkel KGaA, Preferred Non-Voting	\$ 784	\$ 778	
1 937	MTU Aero Engines AG	396	353	
179 985	ProSiebenSat.1 Media SE	4 564	3 203	
24 886	RTL Group S.A.	1 469	1 329	
8 077	Wirecard AG	1 610	1 218	
		18 637	13 910	<b>9.3</b>
<b>Hong Kong</b>				
76 800	Wynn Macau Ltd.	257	167	
		257	167	<b>0.1</b>
<b>Japan</b>				
126 400	Astellas Pharma Inc.	2 079	1 615	
19 500	Eisai Co. Ltd.	1 671	1 510	
21 100	Kirin Brewery Co. Ltd.	443	440	
4 500	Mixi Inc.	115	94	
26 100	Oracle Corp. Japan	2 044	1 657	
87 800	Sony Corp.	4 394	4 233	
113 600	Sumitomo Chemical Co. Ltd.	620	550	
42 500	Sumitomo Dainippon Pharma Co. Ltd.	857	1 355	
42 000	Suzuken Co. Ltd.	1 819	2 139	
64 400	Taisei Corp.	3 295	2 758	
1 400	Tokyo Electron Ltd.	162	158	
		17 499	16 509	<b>11.0</b>
<b>Mexico</b>				
121 800	Fibra Uno Administracion S.A. de C.V. Real Estate Investment Trust	181	135	
		181	135	<b>0.1</b>
<b>Netherlands</b>				
20 749	NXP Semiconductor N.V.	1 700	1 520	
		1 700	1 520	<b>1.0</b>
<b>New Zealand</b>				
97 814	a2 Milk Co. Ltd.	751	735	
		751	735	<b>0.5</b>
<b>Norway</b>				
124 045	Equinor ASA	3 251	2 631	
7 050	Marine Harvest	152	149	
130 109	Telenor ASA	2 728	2 527	
		6 131	5 307	<b>3.5</b>
<b>Poland</b>				
50 996	Jastrzebska Spolka Weglowa S.A.	1 122	922	
165 125	PGE Polska Grupa Energetyczna S.A.	521	443	
		1 643	1 365	<b>0.9</b>
<b>South Africa</b>				
35 691	Anglo American Platinum Corp.	1 156	1 331	
		1 156	1 331	<b>0.9</b>
<b>South Korea</b>				
20 181	DGB Financial Group Inc.	172	150	
7 544	GS Engineering & Construction Corp.	307	296	

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



December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>South Korea (cont.)</b>				
26 577	Hana Financial Group Inc.	\$ 1 115	\$ 864	
45 571	Industrial Bank of Korea	662	574	
11 685	Korea Gas Corp.	478	505	
5 634	Korea Investment Holdings Co. Ltd.	318	301	
28 993	Samsung Electronics Co. Ltd.	1 286	1 009	
80 233	Samsung Securities Co. Ltd.	1 998	2 269	
		<b>6 336</b>	<b>5 968</b>	<b>4.0</b>
<b>Spain</b>				
159 456	International Consolidated Airlines Group S.A.	1 402	1 264	
		<b>1 402</b>	<b>1 264</b>	<b>0.8</b>
<b>Sweden</b>				
107 672	Epiroc AB	1 096	1 017	
83 568	Swedish Match AB	3 902	3 281	
		<b>4 998</b>	<b>4 298</b>	<b>2.9</b>
<b>Switzerland</b>				
4 394	Roche Holdings AG Genussscheine	1 098	1 091	
		<b>1 098</b>	<b>1 091</b>	<b>0.7</b>
<b>United Kingdom</b>				
72 835	Anglo American Plc.	1 615	1 629	
13 500	BAE Systems Plc.	89	79	
72 055	Persimmon Plc.	1 759	1 774	
		<b>3 463</b>	<b>3 482</b>	<b>2.3</b>
<b>United States</b>				
526	Abiomed Inc.	160	171	
41 137	Ameriprise Financial Inc.	5 538	4 294	
5 087	Best Buy Co. Inc.	264	269	
15 109	Boeing Co.	4 898	4 873	
52	Booking Holdings Inc.	91	90	
758	Burlington Stores Inc.	121	123	
12 424	Estée Lauder Companies Inc., Class A	1 612	1 616	
24 700	Expeditors International of Washington, Inc.	1 695	1 682	
26 601	F5 Networks Inc.	4 548	4 310	
35 142	Foot Locker Inc.	1 715	1 870	
59 892	Fortinet Inc.	4 415	4 218	
20 181	Intuit Inc.	4 140	3 973	
43 334	Kohl's Corp.	3 066	2 875	
31 080	Lululemon Athletica Inc.	4 476	3 783	
11 813	LyondellBasell Industries N.V.	1 276	983	
40 251	Merck & Co. Inc.	3 017	3 078	
97 456	Micron Technology Inc.	4 154	3 092	
14 045	Phillips 66 Company	1 473	1 210	
25 603	Robert Half International Inc.	1 818	1 465	
69 656	Seagate Technology	3 266	2 690	
41 408	Target Corporation	2 845	2 737	
28 737	TJX Companies Inc.	1 278	1 286	
19 087	TripAdvisor Inc.	1 118	1 030	
17 923	United Continental Holdings Inc.	1 548	1 501	
11 472	Vertex Pharmaceuticals Inc.	1 849	1 901	
11 992	Xilinx Inc.	1 039	1 022	
		<b>61 420</b>	<b>56 142</b>	<b>37.4</b>
<b>TOTAL INVESTMENTS – LONG POSITIONS</b>		<b>164 585</b>	<b>148 035</b>	<b>98.6</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>INVESTMENTS – SECURITIES SOLD SHORT</b>				
<b>GLOBAL EQUITIES</b>				
<b>Canada</b>				
(200)	Fairfax Financial Holdings Ltd.	\$ (97)	\$ (88)	
(71 400)	Franco-Nevada Corp.	(4 738)	(5 007)	
(13 300)	Keyera Corp.	(279)	(251)	
(38 200)	SNC-Lavalin Group Inc.	(1 598)	(1 286)	
(9 400)	Thomson Reuters Corp.	(473)	(455)	
(67 000)	Wheaton Precious Metals Corp.	(1 083)	(1 308)	
		<b>(8 268)</b>	<b>(8 395)</b>	<b>(5.6)</b>
<b>China</b>				
(22 157)	Alibaba Group Holding Ltd. ADR	(3 296)	(3 037)	
(29 094)	Baozun Inc. ADR	(1 172)	(850)	
(8 798)	Hutchison China MediTech Ltd. ADR	(282)	(203)	
(117 896)	JD.com Inc. ADR	(2 875)	(2 468)	
(247 979)	Vipshop Holdings Ltd. ADR	(2 496)	(1 354)	
		<b>(10 121)</b>	<b>(7 912)</b>	<b>(5.3)</b>
<b>Denmark</b>				
(8 822)	Tryg A/S	(218)	(222)	
		<b>(218)</b>	<b>(222)</b>	<b>(0.1)</b>
<b>France</b>				
(4 668)	Eurofins Scientific SE	(2 299)	(1 743)	
(11 906)	Iliad S.A.	(1 703)	(1 659)	
(23 368)	Ingenico Group S.A.	(1 866)	(1 326)	
(4 007)	Sodexo	(409)	(411)	
(62 336)	Vivendi S.A.	(1 567)	(1 511)	
(44 061)	Wendel	(6 266)	(5 285)	
		<b>(14 110)</b>	<b>(11 935)</b>	<b>(7.9)</b>
<b>Germany</b>				
(3 691)	Bayerische Motoren Werke (BMW) AG	(311)	(299)	
(74 130)	Daimler AG	(4 708)	(3 908)	
(60 278)	Delivery Hero AG	(3 057)	(2 234)	
(78 895)	Deutsche Bank AG	(692)	(630)	
(406 898)	E.ON SE	(4 168)	(4 019)	
		<b>(12 936)</b>	<b>(11 090)</b>	<b>(7.4)</b>
<b>Italy</b>				
(20 827)	EXOR N.V.	(1 173)	(1 131)	
(22 983)	Ferrari N.V.	(2 737)	(2 287)	
(209 277)	Prismian S.p.A.	(4 253)	(4 072)	
		<b>(8 163)</b>	<b>(7 490)</b>	<b>(5.0)</b>
<b>Japan</b>				
(6 300)	Daiwa House Industry Co. Ltd.	(203)	(201)	
(8 500)	FamilyMart UNY Holdings Co. Ltd.	(1 227)	(1 070)	
(5 700)	FANUC Corp.	(1 151)	(865)	
(6 700)	Fast Retailing Co. Ltd.	(3 345)	(3 422)	
(49 700)	Hitachi Metals Ltd.	(532)	(517)	
(81 300)	Keihin Electric Express Railway Co. Ltd.	(1 315)	(1 329)	
(200)	Keyence Corp.	(108)	(101)	
(6 700)	Kyocera Corporation	(394)	(335)	
(3 900)	Makita Corp.	(151)	(139)	
(18 200)	MISUMI Group Inc.	(383)	(383)	
(102 800)	Mitsubishi Estate Co. Ltd.	(1 682)	(1 617)	

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





December 31, 2018

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Japan (cont.)</b>				
(98 100)	Mitsubishi Materials Corp.	\$ (2 661)	\$ (2 585)	
(18 800)	Murata Manufacturing Co. Ltd.	(2 755)	(2 533)	
(97 300)	Nippon Yusen Kabushiki Kaisha	(1 584)	(1 488)	
(19 200)	Nitori Co. Ltd.	(2 883)	(2 405)	
(44 800)	Nomura Holdings Inc.	(202)	(170)	
(16 900)	Olympus Optical Co. Ltd.	(485)	(517)	
(50 700)	Sumitomo Realty & Development Co. Ltd.	(1 880)	(1 856)	
(221 600)	Toray Industries Inc.	(1 742)	(1 567)	
(9 500)	Toyota Industries Corp.	(479)	(437)	
(8 200)	Yamaha Motor Co. Ltd.	(168)	(160)	
		(25 330)	(23 697)	(15.8)
<b>Singapore</b>				
(3 900)	Cycle & Carriage Ltd.	(86)	(101)	
(6 300)	United Overseas Bank Ltd.	(117)	(114)	
(1 775 100)	Wilmar International Ltd.	(4 080)	(4 065)	
		(4 283)	(4 280)	(2.8)
<b>South Africa</b>				
(8 759)	Naspers Ltd.	(1 868)	(1 754)	
		(1 868)	(1 754)	(1.2)
<b>Switzerland</b>				
(40 933)	Cie Financiere Richemont S.A.	(2 616)	(2 640)	
(15 660)	Lonza Group AG	(4 277)	(4 071)	
		(6 893)	(6 711)	(4.5)
<b>United Kingdom</b>				
(23 500)	British American Tobacco Plc.	(1 325)	(748)	
(17 901)	Informa Plc.	(176)	(144)	
(92 954)	John Wood Group Plc.	(787)	(598)	
(107 613)	Micro Focus International Plc.	(2 005)	(1 885)	
(6 400)	Travis Perkins Plc.	(89)	(87)	
		(4 382)	(3 462)	(2.3)
<b>United States</b>				
(33 108)	Alnylam Pharmaceuticals Inc.	(2 611)	(2 414)	
(23 091)	Becton Dickinson & Co.	(5 676)	(5 202)	
(12 751)	BioMarin Pharmaceuticals Inc.	(1 341)	(1 087)	
(6 945)	Chubb Ltd.	(889)	(897)	
(18 168)	Concho Resources Inc.	(2 019)	(1 867)	
(427)	Cooper Co. Inc.	(120)	(109)	
(26 577)	Crown Castle International Corp. Real Estate Investment Trust	(2 969)	(2 887)	
(86 487)	Crown Holdings Inc.	(3 839)	(3 595)	
(2 114)	D.R. Horton Inc.	(77)	(73)	
(1 293)	Diamondback Energy Inc.	(115)	(120)	
(4 479)	Equinix Inc. Real Estate Investment Trust	(1 892)	(1 579)	
(23 827)	Evergy Inc.	(1 398)	(1 353)	
(54 679)	First Republic Bank	(5 281)	(4 754)	
(407 772)	Flex Ltd.	(3 303)	(3 103)	
(14 791)	General Dynamics Corp.	(2 598)	(2 325)	
(17 497)	Global Payments Inc.	(1 924)	(1 804)	
(6 251)	IPG Photonics Corp.	(835)	(708)	
(8 338)	Martin Marietta Materials	(1 343)	(1 433)	
(22 616)	Microchip Technology Inc.	(1 644)	(1 628)	
(31 870)	Mohawk Industries Inc.	(3 997)	(3 726)	
(3 104)	Netflix Inc.	(831)	(831)	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United States (cont.)</b>				
(17 029)	Northrop Grumman Corp.	\$ (4 578)	\$ (4 170)	
(16 018)	PerkinElmer Inc.	(1 381)	(1 258)	
(1 521)	Salesforce.com Inc.	(200)	(208)	
(35 858)	Seattle Genetics Inc.	(2 001)	(2 032)	
(19 977)	Square Inc., Class A	(1 236)	(1 120)	
(5 170)	TE Connectivity Ltd.	(375)	(391)	
(2 581)	Tesla Inc.	(726)	(859)	
(40 843)	Trimble Inc.	(1 461)	(1 344)	
(56 548)	Worldpay Inc.	(4 549)	(4 319)	
		(61 209)	(57 196)	(38.1)
<b>TOTAL INVESTMENTS – SECURITIES SOLD SHORT</b>				
		(157 781)	(144 144)	(96.0)
<b>Par Value (000s)</b>	<b>Security</b>	<b>Cost</b>	<b>Fair Value</b>	<b>% of Net Assets</b>
<b>SHORT-TERM INVESTMENTS*</b>				
77 800	United States Treasury Bills	\$ 77 431	\$ 77 431	
		77 431	77 431	51.5
		84 235	81 322	54.1
		–	1	–
		\$ 84 235	81 323	54.1
			68 639	45.7
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
			268	0.2
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
		\$ 150 230		100.0

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



December 31, 2018

**SCHEDULE A**

**Total Return Swaps**

Notional Amount (000s)	Reference Asset	Currency	Expiration Date	Counterparty	Credit Rating	Cost	Fair Value	% of Net Assets
(69)	BAE Systems Plc.	GBP	26-Nov-2020	Credit Suisse Group AG	BBB+	\$ (89)	\$ (88)	
70	Travis Perkins Plc.	GBP	26-Nov-2020	Credit Suisse Group AG	BBB+	89	89	
						\$ -	\$ 1	-

\* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 2.23% to 2.33% and mature between January 10, 2019 and February 14, 2019.



### Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2018	December 31 2017
<b>ASSETS</b>		
Investments at fair value	\$ 225 466	\$ 72 138
Cash	68 639	20 065
Receivable on open swap contracts	1	–
Dividends receivable, interest accrued and other assets	437	84
<b>TOTAL ASSETS</b>	<b>294 543</b>	<b>92 287</b>
<b>LIABILITIES</b>		
Investments in securities sold short	144 144	47 084
Stock loan fee payable	–	33
Dividends payable on short sales	46	29
Accounts payable and accrued expenses	123	343
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>144 313</b>	<b>47 489</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 150 230</b>	<b>\$ 44 798</b>
Investments at cost	\$ 84 235	\$ 22 320
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 816</b>	<b>\$ 50</b>
<b>SERIES F</b>	<b>\$ 16 417</b>	<b>\$ 1</b>
<b>SERIES O</b>	<b>\$ 132 997</b>	<b>\$ 44 747</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 8.91</b>	<b>\$ 9.68</b>
<b>SERIES F</b>	<b>\$ 9.41</b>	<b>\$ 10.12</b>
<b>SERIES O</b>	<b>\$ 9.49</b>	<b>\$ 10.13</b>

### 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
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 1 979	\$ 1 032
Dividends on short sales	(1 998)	(742)
Interest for distribution purposes	1 978	348
Income from investment trusts	31	34
Derivative income	(7)	(23)
Net realized gain (loss) on investments	1 308	3 745
Change in unrealized gain (loss) on investments	(5 646)	1 384
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>(2 355)</b>	<b>5 778</b>
Net gain (loss) on foreign cash balances	(111)	16
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>(111)</b>	<b>16</b>
<b>TOTAL INCOME (LOSS)</b>	<b>(2 466)</b>	<b>5 794</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	112	2
Administration fees	23	6
Independent Review Committee costs	1	1
GST/HST	7	1
Transaction costs	827	350
Withholding tax	459	152
Stock loan fee	484	49
Interest on bank overdraft	1 168	501
<b>TOTAL EXPENSES</b>	<b>3 081</b>	<b>1 062</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ (5 547)</b>	<b>\$ 4 732</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ (55)</b>	<b>\$ (1)</b>
<b>SERIES F</b>	<b>\$ (606)</b>	<b>\$ (21)</b>
<b>SERIES O</b>	<b>\$ (4 886)</b>	<b>\$ 4 754</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ (0.70)</b>	<b>\$ (6.99)</b>
<b>SERIES F</b>	<b>\$ (0.62)</b>	<b>\$ (0.96)</b>
<b>SERIES O</b>	<b>\$ (0.47)</b>	<b>\$ 1.16</b>



Statements of Cash Flow (in \$000s)

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ (5 547)	\$ 4 732
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(642)	(3 448)
Change in unrealized loss (gain) on investments	5 646	(1 384)
(Increase) decrease in accrued receivables	(336)	(33)
Increase (decrease) in accrued payables	(253)	257
(Increase) decrease in margin accounts	–	–
Cost of investments purchased	(1 111 962)	(363 760)
Proceeds from sale and maturity of investments	1 050 689	376 592
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(62 405)</b>	<b>12 956</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units	146 929	15 634
Cash paid on redemption of redeemable units	(35 951)	(8 797)
Distributions paid to holders of redeemable units	1	–
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 110 979</b>	<b>\$ 6 837</b>
Net increase (decrease) in cash for the period	48 574	19 793
Cash (bank overdraft), beginning of period	20 065	272
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 68 639</b>	<b>\$ 20 065</b>
Interest received (paid)	\$ 1 758	\$ 297
Dividends received, net of withholding taxes	\$ (595)	\$ 135



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 O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 50	\$ –	\$ 1	\$ 1	\$ 44 747	\$ 32 963	\$ 44 798	\$ 32 964
<b>INCREASE (DECREASE) IN NAV</b>	(55)	(1)	(606)	(21)	(4 886)	4 754	(5 547)	4 732
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	1 010	51	20 814	2 936	125 105	12 647	146 929	15 634
Reinvestments of distributions to holders of redeemable units	44	2	541	–	6 098	2 099	6 683	2 101
Redemption of redeemable units	(189)	–	(3 792)	(2 915)	(31 970)	(5 617)	(35 951)	(8 532)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	865	53	17 563	21	99 233	9 129	117 661	9 203
Distributions from net income	(9)	–	(221)	–	(2 170)	–	(2 400)	–
Distributions from net gains	(35)	(2)	(320)	–	(3 927)	(2 099)	(4 282)	(2 101)
Distributions from capital	–	–	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	(44)	(2)	(541)	–	(6 097)	(2 099)	(6 682)	(2 101)
<b>NET INCREASE (DECREASE) IN NAV</b>	766	50	16 416	1	88 250	11 783	105 432	11 834
<b>NAV AT END OF PERIOD</b>	\$ 816	\$ 50	\$ 16 417	\$ 1	\$ 132 997	\$ 44 747	\$ 150 230	\$ 44 798



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 securities of issuers listed on global equity markets which are expected to outperform comparable securities, while selling short an equivalent dollar amount of global equity securities which are expected to underperform.

Series A units were started August 31, 2017.

All outstanding Series I – Mar15 units were renamed Series F units effective August 31, 2017.

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

**Concentration risk (%)**

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

Investment mix	December 31 2018	December 31 2017
Denmark	4.9	5.5
South Korea	4.0	3.2
Australia	4.0	5.3
Norway	3.5	1.9
Sweden	2.9	(4.9)
Finland	2.3	–
Germany	1.9	3.3
Netherlands	1.0	–
Poland	0.9	0.1
Spain	0.8	(4.1)
Brazil	0.5	1.7
New Zealand	0.5	(0.2)
Hong Kong	0.1	0.5
Mexico	0.1	0.4
Belgium	–	0.1
Italy	–	2.4
Luxembourg	–	(1.0)
United Kingdom	–	(0.8)
South Africa	(0.3)	(0.8)
China	(0.4)	(0.5)
United States	(0.7)	(1.6)
Singapore	(2.8)	(0.4)
Canada	(3.0)	(4.1)
Switzerland	(3.8)	4.2
France	(4.0)	(5.7)
Japan	(4.8)	(5.3)
Israel	(5.0)	–
Cash/Other	97.4	100.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Currency risk (% of NAV)**

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2018	December 31 2017
Danish krone	4.9	5.4
Hong Kong dollar	4.6	5.4
Australian dollar	4.0	5.3
South Korean won	4.0	3.2
Norwegian krone	3.5	1.9
Swedish krona	2.9	(4.8)
Polish zloty	0.9	–
Brazilian real	0.5	1.7
New Zealand dollar	0.5	–
Mexican peso	0.1	–
Pound sterling	–	(4.2)
South African rand	(0.3)	(0.7)
Singapore dollar	(2.9)	–
Swiss franc	(3.7)	4.2
Euro	(4.0)	(1.5)
Japanese yen	(4.8)	(5.3)
Other currencies	–	(0.2)
<b>Total</b>	<b>10.2</b>	<b>10.4</b>

As at December 31, 2018, if the United States dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 0.5% (December 31, 2017 – 0.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**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 (USD)	+ 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.



December 31, 2018

**Fair value hierarchy (USD000s 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
<b>Equities – long</b>	<b>62 960</b>	<b>85 075</b>	–	<b>148 035</b>
<b>Equities – short</b>	<b>(73 503)</b>	<b>(70 641)</b>	–	<b>(144 144)</b>
<b>Underlying funds</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>77 431</b>	–	<b>77 431</b>
<b>Derivatives – assets</b>	–	<b>1</b>	–	<b>1</b>
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>(10 543)</b>	<b>91 866</b>	–	<b>81 323</b>
<b>% of total portfolio</b>	<b>(13.0)</b>	<b>113.0</b>	–	<b>100.0</b>

December 31, 2017	Level 1	Level 2	Level 3	Total
<b>Equities – long</b>	<b>20 264</b>	<b>26 472</b>	–	<b>46 736</b>
<b>Equities – short</b>	<b>(24 360)</b>	<b>(22 724)</b>	–	<b>(47 084)</b>
<b>Underlying funds</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>25 403</b>	–	<b>25 403</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>(4 096)</b>	<b>29 151</b>	–	<b>25 055</b>
<b>% of total portfolio</b>	<b>(16.3)</b>	<b>116.3</b>	–	<b>100.0</b>

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

**Custodian**

Credit Suisse Securities (U.S.A.) LLC and The Bank of Nova Scotia are the custodians of the Fund, hold the assets of the Fund and earn a fee as the custodians, which is paid by the manager from the fixed administration fee paid by the Fund.

**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% <sup>†</sup>	0.02%
Series O	n/a <sup>†</sup>	0.02%

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

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

**Investments by related parties  
(USD000s 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
<b>Units held</b>		
Series A	<b>55</b>	52
Series F	<b>61</b>	57
Series O	<b>62</b>	59
<b>Value of all units</b>	<b>2</b>	2

**Taxes (CAD000s) (see note 6 in the generic notes)**

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

The Fund had no capital or non-capital losses as at December 31, 2018.

**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
<b>Series A</b>		
Opening units	<b>5</b>	–
Issued number of units	<b>103</b>	5
Reinvested number of units	<b>5</b>	–
Redeemed number of units	<b>(21)</b>	–
Ending number of units	<b>92</b>	5





December 31, 2018

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

	2018	2017
<b>Series F</b>		
Opening units	–	–
Issued number of units	2 071	268
Reinvested number of units	56	–
Redeemed number of units	(382)	(268)
Ending number of units	1 745	–
<b>Series O</b>		
Opening units	4 415	3 484
Issued number of units	12 301	1 252
Reinvested number of units	625	207
Redeemed number of units	(3 335)	(528)
Ending number of units	14 006	4 415

### Transaction costs (USD000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2018		December 31 2017	
	\$	%	\$	%
Total transaction costs	827	100	350	100
Related-party brokerage commissions*	3	–	1	–
Commission arrangements†	1	–	–	–

\* See note 8 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as “soft dollars”) for research and/or order execution goods and services.

### 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 QUBE Market Neutral World Equity Fund (CAD Hedged)	77.1	99.9

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).

December 31, 2018

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.



December 31, 2018

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



December 31, 2018

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.

December 31, 2018

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.

December 31, 2018

***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

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

## 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 11, 2020



SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)  
**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND**

December 31, 2019

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>INVESTMENTS – LONG POSITIONS</b>				
<b>GLOBAL EQUITIES</b>				
<b>Australia</b>				
2 741	CIMIC Group Ltd.	\$ 64	\$ 64	
171 863	Fortescue Metals Group Ltd.	1 027	1 296	
12 783	James Hardie Industries Plc., Subscription Receipts	252	250	
21 353	Magellan Financial Group Ltd.	732	856	
10 421	Wesfarmers Ltd.	293	303	
		2 368	2 769	<b>4.7</b>
<b>Belgium</b>				
1 746	Galapagos N.V.	378	364	
		378	364	<b>0.6</b>
<b>Brazil</b>				
6 000	Centrais Eletricas Brasileiras S.A. Preference	53	57	
8 700	JBS S.A.	57	56	
		110	113	<b>0.2</b>
<b>Canada</b>				
14 900	Air Canada	552	557	
2 100	Constellation Software Inc.	1 426	2 039	
		1 978	2 596	<b>4.4</b>
<b>China</b>				
240 000	China Oriental Group Co. Ltd.	164	100	
25 500	Conch Cement Co. Ltd.	154	186	
437 500	Great Wall Motor Co. Ltd.	319	324	
1 060 000	Kunlun Energy Co. Ltd.	1 055	936	
56 500	Li Ning Co. Ltd.	158	169	
308 000	Sinotruk Hong Kong Ltd.	452	657	
151 000	Sunac China Holdings Ltd.	665	901	
63 848	Vipshop Holdings Ltd. ADR	602	905	
		3 569	4 178	<b>7.0</b>
<b>Denmark</b>				
47	AP Moller – Maersk A/S	54	68	
20 343	Novo Nordisk A/S	942	1 182	
28 463	Pandora A/S	1 139	1 239	
1 208	Vestas Wind Systems A/S	91	122	
		2 226	2 611	<b>4.4</b>
<b>Finland</b>				
25 430	Kone OYJ	1 498	1 663	
		1 498	1 663	<b>2.8</b>
<b>France</b>				
996	Hermes International	685	746	
2 845	Klepierre Real Estate Investment Trust	87	108	
73 225	Peugeot S.A.	1 847	1 763	
9 460	Safran S.A.	1 548	1 461	
16 172	UBISOFT Entertainment	1 255	1 120	
		5 422	5 198	<b>8.8</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Germany</b>				
405	Carl Zeiss Meditec AG	\$ 46	\$ 52	
2 568	Hochtief AG	298	328	
407	Muenchener Rueckversicherungs- Gesellschaft AG	113	120	
65 332	ProSiebenSat.1 Media SE	1 551	1 017	
18 194	RTL Group S.A.	1 017	898	
		3 025	2 415	<b>4.1</b>
<b>Japan</b>				
49 400	Astellas Pharma Inc.	787	843	
1 200	Calbee Inc.	40	39	
3 300	Fujitsu Ltd.	304	310	
8 700	Mitsubishi Heavy Industries Ltd.	372	337	
13 200	NAMCO BANDAI Holdings Inc.	820	803	
19 700	Olympus Optical Co. Ltd.	291	304	
1 800	Sankyo Co. Ltd.	62	60	
24 700	Seven & I Holdings Co. Ltd.	919	905	
11 600	Shionogi & Co. Ltd.	650	718	
16 900	Showa Denko K.K.	590	445	
3 500	Sumitomo Dainippon Pharma Co. Ltd.	60	68	
1 500	Suntory Beverage & Food Ltd.	66	63	
3 200	Trend Micro Inc.	172	164	
		5 133	5 059	<b>8.5</b>
<b>Norway</b>				
26 340	Aker BP ASA	924	864	
		924	864	<b>1.5</b>
<b>South Africa</b>				
12 416	Anglo American Platinum Corp.	429	1 156	
10 266	Kumba Iron Ore Ltd.	265	305	
		694	1 461	<b>2.5</b>
<b>South Korea</b>				
433	BGF Retail Co. Ltd.	73	63	
5 759	Daewoo Shipbuilding & Marine Engineering Co. Ltd.	143	138	
18 876	Hana Financial Group Inc.	723	600	
11 239	Industrial Bank of Korea	163	115	
6 536	KB Financial Group Inc.	260	269	
88 933	Samsung Engineering Co. Ltd.	1 206	1 470	
		2 568	2 655	<b>4.5</b>
<b>Spain</b>				
1 993	Endesa S.A.	54	53	
		54	53	<b>0.1</b>
<b>Sweden</b>				
100 803	Ericsson (LM) Tel., Series B	892	884	
42 531	Lundin Petroleum AB	1 332	1 446	
12 865	Swedish Match AB	593	661	
		2 817	2 991	<b>5.0</b>
<b>Switzerland</b>				
20 427	Dufry AG	1 897	2 026	
4 168	Kuehne + Nagel International AG	598	703	
7 195	Roche Holdings AG Genusscheine	1 899	2 338	
		4 394	5 067	<b>8.6</b>

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





December 31, 2019

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United Kingdom</b>				
19 562	Hargreaves Lansdown Plc.	\$ 461	\$ 502	
28 108	Persimmon Plc.	686	1 004	
		1 147	1 506	2.5
<b>United States</b>				
4 856	AbbVie Inc.	420	430	
3 376	Align Technology Inc.	883	942	
12 468	Ameriprise Financial Inc.	1 678	2 077	
3 239	Applied Materials Inc.	184	198	
2 815	Biogen Inc.	803	835	
4 158	Brighthouse Financial Inc.	166	163	
17 121	Cadence Design Systems Inc.	1 152	1 188	
633	ConocoPhillips	43	41	
9 529	DaVita Inc.	683	715	
14 848	Fortinet Inc.	1 104	1 585	
4 693	GoDaddy Inc.	310	319	
3 544	Incyte Corporation Ltd.	282	309	
6 146	Intuit Inc.	1 393	1 610	
1 037	Linde Plc.	177	221	
1 590	Lockheed Martin Corporation	612	619	
2 158	MetLife Inc.	106	110	
8 232	Microsoft Corp.	1 214	1 297	
22 343	NetApp Inc.	1 241	1 391	
22 629	NRG Energy Inc.	843	900	
19 094	QUALCOMM Inc.	1 577	1 685	
3 233	S&P Global Inc.	826	882	
7 279	Seagate Technology	422	433	
1 541	ServiceNow Inc.	409	435	
4 479	United Airlines Holdings Inc.	396	395	
9 634	Unum Group	289	281	
3 892	Veeva Systems Inc.	587	547	
10 711	Verisign Inc.	2 127	2 064	
494	Vertex Pharmaceuticals Inc.	86	108	
30 146	Vistra Energy Corp.	723	693	
		20 736	22 473	37.9
		59 041	64 036	108.1
<b>TOTAL INVESTMENTS – LONG POSITIONS</b>				
<b>INVESTMENTS – SECURITIES SOLD SHORT</b>				
<b>GLOBAL EQUITIES</b>				
<b>Austria</b>				
(5 214)	Voestalpine AG	(141)	(145)	
		(141)	(145)	(0.2)
<b>Belgium</b>				
(11 089)	Umicore S.A.	(492)	(540)	
		(492)	(540)	(0.9)
<b>Canada</b>				
(47 700)	Barrick Gold Corp.	(798)	(886)	
(8 000)	CAE Inc.	(209)	(212)	
(9 800)	Franco-Nevada Corp.	(963)	(1012)	
(10 800)	Gildan Activewear Inc., Class A	(307)	(318)	
		(2 277)	(2 428)	(4.1)
<b>China</b>				
(40 098)	BEST Inc. ADR	(228)	(223)	
(23 611)	GDS Holdings Ltd., Class A ADR	(895)	(1218)	
(20 729)	Hutchison China MediTech Ltd. ADR	(557)	(520)	
(66 709)	iQIYI Inc. ADR	(1 199)	(1 408)	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>China (cont.)</b>				
(13 271)	JOYY Inc. ADR	\$ (919)	\$ (701)	
(2 383)	TAL Education Group ADR	(82)	(115)	
(2 176)	Trip.com Group Ltd. ADR	(69)	(73)	
(3 121)	Weibo Corp. ADR	(133)	(145)	
		(4 082)	(4 403)	(7.4)
<b>Denmark</b>				
(15 183)	Demant A/S	(465)	(480)	
		(465)	(480)	(0.8)
<b>Finland</b>				
(71 373)	Nokian Renkaat OYJ	(2 089)	(2 058)	
		(2 089)	(2 058)	(3.5)
<b>France</b>				
(12 054)	EssilorLuxottica	(1 473)	(1 843)	
(2 636)	Worldline S.A.	(160)	(187)	
		(1 633)	(2 030)	(3.4)
<b>Germany</b>				
(26 500)	Delivery Hero AG	(1 324)	(2 105)	
(234 597)	Deutsche Bank AG	(1 761)	(1 821)	
(66 663)	Infineon Technologies AG	(1 324)	(1 503)	
		(4 409)	(5 429)	(9.2)
<b>Hong Kong</b>				
(2 243)	BeiGene Ltd. ADR	(291)	(372)	
(2 600)	Jardine Matheson Holdings Ltd.	(144)	(145)	
		(435)	(517)	(0.9)
<b>Italy</b>				
(31 414)	CNH Industrial N.V.	(295)	(345)	
		(295)	(345)	(0.6)
<b>Japan</b>				
(39 500)	Hino Motors Ltd.	(409)	(418)	
(1 000)	Hirose Electric Co. Ltd.	(111)	(128)	
(14 200)	Hitachi Metals Ltd.	(186)	(209)	
(35 400)	Idemitsu Kosan Co. Ltd.	(978)	(978)	
(8 100)	IHI Corp. Co. Ltd.	(195)	(190)	
(2 600)	Japan Airport Terminal Co. Ltd.	(110)	(144)	
(56 500)	JFE Holdings Inc.	(690)	(725)	
(28 300)	JGC Holdings Corp.	(364)	(450)	
(13 400)	Kyushu Electric Power Co. Inc.	(135)	(116)	
(9 900)	Kyushu Railway Co.	(329)	(331)	
(13 300)	M3 Inc.	(223)	(401)	
(72 100)	Mitsubishi Motors Corp.	(349)	(301)	
(3 900)	Mitsubishi Tanabe Pharma Corp.	(72)	(72)	
(11 100)	NGK Spark Plug Co. Ltd.	(228)	(215)	
(21 900)	Nippon Steel Corp.	(321)	(330)	
(97 900)	Renesas Electronics Corp.	(594)	(669)	
(12 700)	Suzuki Motor Co. Ltd.	(582)	(530)	
(1 500)	Taisho Pharmaceutical Holdings Co. Ltd.	(112)	(111)	
(40 500)	Takeda Pharmaceutical Co. Ltd.	(1 489)	(1 602)	
(1 600)	Tokyo Century Corp.	(86)	(85)	
		(7 563)	(8 005)	(13.5)
<b>Mexico</b>				
(7 070)	Industrias Penoles S.A.	(70)	(74)	
(20 100)	Megacable Holdings S.A.B. de C.V.	(79)	(82)	
		(149)	(156)	(0.3)

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



December 31, 2019

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>New Zealand</b>				
(80 338)	Ryman Healthcare Ltd.	\$ (803)	\$ (883)	
		(803)	(883)	(1.5)
<b>Norway</b>				
(108 333)	Norsk Hydro ASA	(399)	(403)	
		(399)	(403)	(0.7)
<b>Singapore</b>				
(375 500)	CapitaLand Limited	(994)	(1 048)	
(103 002)	Oversea-Chinese Banking Corp.	(853)	(843)	
(98 200)	Singapore Tech Engineering Ltd.	(303)	(288)	
(3 200)	United Overseas Bank Ltd.	(63)	(63)	
		(2 213)	(2 242)	(3.8)
<b>South Africa</b>				
(13 329)	Aspen Pharmacare Holdings Ltd.	(76)	(114)	
(34 582)	Sanlam Ltd.	(184)	(195)	
(22 959)	Shoprite Holdings Ltd.	(203)	(206)	
		(463)	(515)	(0.9)
<b>Spain</b>				
(30 525)	Cellnex Telecom S.A.	(1 222)	(1 317)	
(53 416)	Grifols S.A.	(1 414)	(1 887)	
		(2 636)	(3 204)	(5.4)
<b>Sweden</b>				
(8 668)	Boliden AB	(233)	(231)	
(82 185)	Nordea Bank Abp	(560)	(666)	
		(793)	(897)	(1.5)
<b>Switzerland</b>				
(2 505)	Partners Group Holding AG	(1 942)	(2 296)	
		(1 942)	(2 296)	(3.9)
<b>United Kingdom</b>				
(11 626)	Informa Plc.	(115)	(132)	
(35 440)	Ocado Group Plc.	(546)	(601)	
(82 558)	The Weir Group Plc.	(1 509)	(1 651)	
		(2 170)	(2 384)	(4.0)

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United States</b>				
(20 752)	Archer Daniels Midland Co.	\$ (780)	\$ (962)	
(2 457)	Boston Scientific Corp.	(108)	(111)	
(77 239)	Centerpoint Energy Inc.	(2 098)	(2 105)	
(2 054)	Cigna Corp.	(383)	(420)	
(8 418)	Cognizant Technology Solutions Corp., Class A	(510)	(522)	
(22 006)	Conagra Brands Inc.	(621)	(753)	
(24 548)	Corning Inc.	(724)	(715)	
(4 332)	CVS Health Corp.	(261)	(322)	
(2 825)	Diamondback Energy Inc.	(294)	(262)	
(8 152)	Edison International	(581)	(614)	
(17 556)	Elanco Animal Health Inc.	(472)	(517)	
(148)	Equinix Inc. Real Estate Investment Trust	(79)	(86)	
(2 509)	FedEx Corporation	(386)	(379)	
(14 873)	Fidelity National Information Services Inc.	(1 981)	(2 068)	
(15 588)	Fiserv Inc.	(1 736)	(1 802)	
(7 241)	Fortive Corp.	(510)	(553)	
(19 197)	Freeport-McMoRan Inc.	(234)	(252)	
(9 504)	GrubHub Inc.	(577)	(462)	
(81 866)	Halliburton Co.	(1 676)	(2 003)	
(5 975)	KKR & Co. Inc., Class A	(175)	(174)	
(6 952)	L3Harris Technologies Inc.	(1 387)	(1 375)	
(12 670)	Medical Properties Trust Inc. Real Estate Investment Trust	(273)	(267)	
(23 564)	Occidental Petroleum Corp.	(881)	(971)	
(512)	Splunk Inc.	(76)	(77)	
(41 129)	Targa Resources Corp.	(1 681)	(1 679)	
(14 261)	The Walt Disney Company	(1 930)	(2 062)	
(12 807)	Twilio Inc., Class A	(1 555)	(1 258)	
(11 335)	Wayfair Inc.	(1 252)	(1 024)	
(26 260)	Zillow Group Inc.	(1 022)	(1 207)	
		(24 243)	(25 002)	(42.2)
<b>TOTAL INVESTMENTS – SECURITIES SOLD SHORT</b>		(59 692)	(64 362)	(108.7)

Par Value (000s)	Security	Yield %	Maturity	Cost	Fair Value	% of Net Assets
<b>SHORT-TERM INVESTMENTS</b>						
4 960	United States Treasury Bills	1.590	23-Jan-2020	\$ 4 938	\$ 4 938	
100	United States Treasury Bills	1.531	13-Feb-2020	100	100	
180	United States Treasury Bills	1.506	20-Feb-2020	179	179	
500	United States Treasury Bills	1.506	12-Mar-2020	498	498	
300	United States Treasury Bills	1.516	19-Mar-2020	299	299	
26 400	United States Treasury Bills	1.499	16-Apr-2020	26 226	26 226	
<b>TOTAL SHORT-TERM INVESTMENTS</b>				32 240	32 240	54.4
<b>TOTAL INVESTMENTS</b>				31 589	31 914	53.8
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				–	1	–
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				–	(1)	–
<b>TOTAL PORTFOLIO</b>				\$ 31 589	31 914	53.8
<b>CASH</b>					27 720	46.8
<b>OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					(374)	(0.6)
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				\$ 59 260		100.0

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



December 31, 2019

**SCHEDULE A**

**Foreign Exchange Contracts**

<b>Contracts</b>	<b>Maturity Date</b>	<b>Unrealized Gain</b>
Bought EUR 13 Sold USD 14 @ 0.8941	02-Jan-2020	\$ —
Bought USD 206 Sold SEK 1 922 @ 0.1071	02-Jan-2020	1
Bought USD 45 Sold NOK 398 @ 0.1133	02-Jan-2020	—
		<u>\$ 1</u>

<b>Contracts</b>	<b>Maturity Date</b>	<b>Unrealized Loss</b>
Bought USD 201 Sold DKK 1 346 @ 0.1497	02-Jan-2020	\$ (1)
		<u>\$ (1)</u>

**TOTAL FOREIGN EXCHANGE**

\$ —

All counterparties have a credit rating of at least A.



**Statements of Financial Position**

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2019	December 31 2018
<b>ASSETS</b>		
Investments at fair value	\$ 96 276	\$ 225 466
Cash	27 720	68 639
Due from investment dealers	920	–
Unrealized gain on foreign exchange contracts	1	–
Receivable on open swap contracts	–	1
Dividends receivable, interest accrued and other assets	139	437
<b>TOTAL ASSETS</b>	<b>125 056</b>	<b>294 543</b>
<b>LIABILITIES</b>		
Investments in securities sold short	64 362	144 144
Due to investment dealers	1 284	–
Redemptions payable	60	–
Unrealized loss on foreign exchange contracts	1	–
Dividends payable on short sales	25	46
Accounts payable and accrued expenses	64	123
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>65 796</b>	<b>144 313</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 59 260</b>	<b>\$ 150 230</b>
Investments at cost	\$ 31 589	\$ 84 235
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 240</b>	<b>\$ 816</b>
<b>SERIES F</b>	<b>\$ 4 516</b>	<b>\$ 16 417</b>
<b>SERIES O</b>	<b>\$ 54 504</b>	<b>\$ 132 997</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 7.75</b>	<b>\$ 8.91</b>
<b>SERIES F</b>	<b>\$ 8.28</b>	<b>\$ 9.41</b>
<b>SERIES O</b>	<b>\$ 8.45</b>	<b>\$ 9.49</b>

**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
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 3 157	\$ 1 979
Dividends on short sales	(2 238)	(1 998)
Interest for distribution purposes	2 260	1 978
Income from investment trusts	(88)	31
Derivative income	(62)	(7)
Net realized gain (loss) on investments	(16 496)	1 308
Change in unrealized gain (loss) on investments	3 237	(5 646)
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>(10 230)</b>	<b>(2 355)</b>
Net gain (loss) on foreign cash balances	30	(111)
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>30</b>	<b>(111)</b>
<b>TOTAL INCOME (LOSS)</b>	<b>(10 200)</b>	<b>(2 466)</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	123	112
Administration fees	22	23
Independent Review Committee costs	1	1
GST/HST	14	7
Transaction costs	696	827
Withholding tax	561	459
Stock loan fee	620	484
Interest on bank overdraft	1 334	1 168
<b>TOTAL EXPENSES</b>	<b>3 371</b>	<b>3 081</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ (13 571)</b>	<b>\$ (5 547)</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ (69)</b>	<b>\$ (55)</b>
<b>SERIES F</b>	<b>\$ (1 797)</b>	<b>\$ (606)</b>
<b>SERIES O</b>	<b>\$ (11 705)</b>	<b>\$ (4 886)</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ (1.22)</b>	<b>\$ (0.70)</b>
<b>SERIES F</b>	<b>\$ (1.41)</b>	<b>\$ (0.62)</b>
<b>SERIES O</b>	<b>\$ (1.14)</b>	<b>\$ (0.47)</b>



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

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

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ (13 571)	\$ (5 547)
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	16 496	(642)
Change in unrealized loss (gain) on investments	(3 237)	5 646
(Increase) decrease in accrued receivables	277	(336)
Increase (decrease) in accrued payables	(59)	(253)
(Increase) decrease in margin accounts	–	–
Cost of investments purchased*	(766 169)	(1 111 962)
Proceeds from sale and maturity of investments*	802 683	1 050 689
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>36 420</b>	<b>(62 405)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units*	8 587	146 929
Cash paid on redemption of redeemable units*	(85 926)	(35 951)
Distributions paid to holders of redeemable units	–	1
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (77 339)</b>	<b>\$ 110 979</b>
Net increase (decrease) in cash for the period	(40 919)	48 574
Cash (bank overdraft), beginning of period	68 639	20 065
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 27 720</b>	<b>\$ 68 639</b>
Interest received (paid) <sup>†</sup>	\$ 2 454	\$ 1 758
Income from investment trusts received (paid) <sup>†</sup>	\$ (85)	\$ 31
Dividends received (paid), net of withholding taxes <sup>†</sup>	\$ 438	\$ (595)

\* Excludes in-kind transactions.

<sup>†</sup> Classified as part of operating activities.



**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 O		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 816	\$ 50	\$ 16 417	\$ 1	\$ 132 997	\$ 44 747	\$ 150 230	\$ 44 798
<b>INCREASE (DECREASE) IN NAV</b>	(69)	(55)	(1 797)	(606)	(11 705)	(4 886)	(13 571)	(5 547)
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	–	1 010	3 756	20 814	4 831	125 105	8 587	146 929
Reinvestments of distributions to holders of redeemable units	–	44	–	541	–	6 098	–	6 683
Redemption of redeemable units	(507)	(189)	(13 860)	(3 792)	(71 619)	(31 970)	(85 986)	(35 951)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	(507)	865	(10 104)	17 563	(66 788)	99 233	(77 399)	117 661
Distributions from net income	–	(9)	–	(221)	–	(2 170)	–	(2 400)
Distributions from net gains	–	(35)	–	(320)	–	(3 927)	–	(4 282)
Distributions from capital	–	–	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	–	(44)	–	(541)	–	(6 097)	–	(6 682)
<b>NET INCREASE (DECREASE) IN NAV</b>	(576)	766	(11 901)	16 416	(78 493)	88 250	(90 970)	105 432
<b>NAV AT END OF PERIOD</b>	\$ 240	\$ 816	\$ 4 516	\$ 16 417	\$ 54 504	\$ 132 997	\$ 59 260	\$ 150 230



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 securities of issuers listed on global equity markets which are expected to outperform comparable securities, while selling short an equivalent dollar amount of global equity securities which are expected to underperform.

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

**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	5.4	(4.0)
Australia	4.7	4.0
Switzerland	4.7	(3.8)
South Korea	4.5	4.0
Denmark	3.6	4.9
Sweden	3.5	2.9
South Africa	1.6	(0.3)
Norway	0.8	3.5
Canada	0.3	(3.0)
Brazil	0.2	0.5
Netherlands	–	1.0
Poland	–	0.9
Israel	–	(5.0)
Mexico	(0.3)	0.1
Belgium	(0.3)	–
China	(0.4)	(0.4)
Italy	(0.6)	–
Finland	(0.7)	2.3
Hong Kong	(0.9)	0.1
New Zealand	(1.5)	0.5
United Kingdom	(1.5)	–
Singapore	(3.8)	(2.8)
United States	(4.3)	(0.7)
Japan	(5.0)	(4.8)
Germany	(5.1)	1.9
Spain	(5.3)	0.8
Cash/Other	100.4	97.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Currency risk (% of NAV)**

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2019	December 31 2018
Hong Kong dollar	5.5	4.6
Australian dollar	4.7	4.0
Swiss franc	4.7	(3.7)
South Korean won	4.5	4.0
Danish krone	3.6	4.9
Swedish krona	3.5	2.9
South African rand	1.6	(0.3)
Norwegian krone	0.8	3.5
Polish zloty	–	0.9
Brazilian real	–	0.5
Mexican peso	–	0.1
Pound sterling	(1.5)	–
New Zealand dollar	(1.5)	0.5
Singapore dollar	(3.8)	(2.9)
Japanese yen	(5.1)	(4.8)
Euro	(6.9)	(4.0)
Other currencies	(0.1)	–
<b>Total</b>	<b>10.0</b>	<b>10.2</b>

As at December 31, 2019, if the United States dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 0.5% (December 31, 2018 – 0.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**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 (USD)	+ 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, 2019

**Fair value hierarchy (USD000s 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 – long	26 087	37 949	–	64 036
Equities – short	(32 361)	(32 001)	–	(64 362)
Underlying funds – long	–	–	–	–
Underlying funds – short	–	–	–	–
Fixed-income and debt securities – long	–	–	–	–
Fixed-income and debt securities – short	–	–	–	–
Short-term investments	–	32 240	–	32 240
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	(1)	–	(1)
<b>Total financial instruments</b>	<b>(6 274)</b>	<b>38 188</b>	<b>–</b>	<b>31 914</b>
<b>% of total portfolio</b>	<b>(19.7)</b>	<b>119.7</b>	<b>–</b>	<b>100.0</b>

December 31, 2018	Level 1	Level 2	Level 3	Total
Equities – long	62 960	85 075	–	148 035
Equities – short	(73 503)	(70 641)	–	(144 144)
Underlying funds – long	–	–	–	–
Underlying funds – short	–	–	–	–
Fixed-income and debt securities – long	–	–	–	–
Fixed-income and debt securities – short	–	–	–	–
Short-term investments	–	77 431	–	77 431
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	–	–	–
<b>Total financial instruments</b>	<b>(10 543)</b>	<b>91 866</b>	<b>–</b>	<b>81 323</b>
<b>% of total portfolio</b>	<b>(13.0)</b>	<b>113.0</b>	<b>–</b>	<b>100.0</b>

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

**Custodian**

Credit Suisse Securities (U.S.A.) LLC and The Bank of Nova Scotia are the custodians of the Fund, hold the assets of the Fund and earn a fee as the custodians, which is paid by the manager from the fixed administration fee paid by the Fund.

**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 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**  
(USD000s 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
<b>Units held</b>		
Series A	55	55
Series F	61	61
Series O	62	62
<b>Value of all units</b>	<b>1</b>	<b>2</b>

**Taxes (CAD000s) (see note 6 in the generic notes)**

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

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

Capital losses	5 487
Non-capital losses	18 655
Non-capital losses expire in:	
2039	18 655



December 31, 2019

### 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	92	5
Issued number of units	–	103
Reinvested number of units	–	5
Redeemed number of units	(61)	(21)
Ending number of units	31	92

#### Series F

Opening units	1 745	–
Issued number of units	412	2 071
Reinvested number of units	–	56
Redeemed number of units	(1 612)	(382)
Ending number of units	545	1 745

#### Series O

Opening units	14 006	4 415
Issued number of units	542	12 301
Reinvested number of units	–	625
Redeemed number of units	(8 101)	(3 335)
Ending number of units	6 447	14 006

### Transaction costs (USD000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2019		December 31 2018	
	\$	%	\$	%
Total transaction costs	696	100	827	100
Related-party brokerage commissions*	5	1	3	–
Commission arrangements <sup>†</sup>	–	–	1	–

\* See note 8 in the generic notes.

<sup>†</sup> Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as “soft dollars”) for research and/or order execution goods and services.

### 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 QUBE Market Neutral World Equity Fund (CAD Hedged)	83.2	77.1

### Offsetting financial assets and liabilities (USD000s) (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	(1)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	1	(1)
Related amounts not set-off	(1)	1
Collateral (received) pledged	–	–
Net amount	–	–

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

## 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.

**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



December 31, 2019

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

December 31, 2019

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

December 31, 2019

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

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
--	---	--

(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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 11, 2021





SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)  
**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND**

December 31, 2020

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>INVESTMENTS – LONG POSITIONS</b>				
<b>GLOBAL EQUITIES</b>				
<b>Brazil</b>				
39 900	Cia Energetica de Minas Gerais Preference	\$ 93	\$ 112	
9 900	Cia Siderurgica Nacional S.A.	54	61	
13 200	Equatorial Energia S.A.	57	59	
81 200	Petroleo Brasileiro S.A.	236	443	
5 043	Sul America S.A.	42	43	
1 000	Vale S.A.	8	17	
3 900	WEG S.A.	39	57	
		<b>529</b>	<b>792</b>	<b>3.3</b>
<b>Canada</b>				
500	Constellation Software Inc.	394	650	
929	Topicus.com Inc.	–	4	
		<b>394</b>	<b>654</b>	<b>2.7</b>
<b>China</b>				
12 000	Agile Group Holdings Ltd.	16	16	
132 000	BAIC Motor Corp Ltd.	58	49	
5 500	BYD Co. Ltd.	124	145	
22 500	China COSCO Holdings Co. Ltd.	20	27	
28 000	China Feihe Ltd.	64	66	
24 000	China National Building Material Co. Ltd.	29	29	
5 263	iQIYI Inc. ADR	124	92	
104 000	Kunlun Energy Co. Ltd.	104	90	
11 000	KWG Group Holdings Ltd.	14	15	
27 000	Logan Group Co. Ltd.	42	44	
227	New Oriental Education & Technology Group Inc. ADR	40	42	
3 148	NIO Inc. ADR	139	153	
169 000	Sinotruk Hong Kong Ltd.	264	433	
4 729	TAL Education Group ADR	359	338	
2 644	Vipshop Holdings Ltd. ADR	63	74	
12 000	Yadea Group Holdings Ltd.	24	25	
		<b>1 484</b>	<b>1 638</b>	<b>6.8</b>
<b>Denmark</b>				
103	AP Moller – Maersk A/S	157	229	
624	Coloplast A/S	100	95	
1 156	Genmab A/S	427	469	
1 245	GN Store Nord A/S	101	99	
6 198	Novo Nordisk A/S	310	432	
1 761	Pandora A/S	154	197	
		<b>1 249</b>	<b>1 521</b>	<b>6.3</b>
<b>Finland</b>				
3 062	Kesko OYJ	76	79	
8 243	Kone OYJ	528	672	
1 265	Orion OYJ	59	58	
		<b>663</b>	<b>809</b>	<b>3.3</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>France</b>				
153	Iliad S.A.	\$ 32	\$ 31	
346	Ipsen S.A.	34	29	
125	Sartorius Stedim Biotech	46	45	
1 396	Suez	17	28	
6 595	Veolia Environnement	147	163	
		<b>276</b>	<b>296</b>	<b>1.2</b>
<b>Germany</b>				
2 695	Daimler AG	179	191	
26 738	Deutsche Bank AG	296	294	
741	Deutsche Boerse AG	139	126	
2 585	Deutsche Post AG	119	128	
6 416	E.ON SE	69	71	
449	GEA Group AG	15	16	
600	HeidelbergCement AG	39	45	
306	HelloFresh SE	23	24	
1 066	Nemetschek SE	83	81	
61 351	Telefonica Deutschland Holding AG	165	169	
		<b>1 127</b>	<b>1 145</b>	<b>4.7</b>
<b>Hong Kong</b>				
700	Hong Kong Exchanges and Clearing Ltd.	35	38	
		<b>35</b>	<b>38</b>	<b>0.2</b>
<b>Italy</b>				
5 259	CNH Industrial N.V.	60	66	
254	DiaSorin S.p.A.	52	53	
26 789	Enel S.p.A.	261	273	
1 535	Poste Italiane S.p.A.	16	16	
390 952	Telecom Italia S.p.A.	177	181	
		<b>566</b>	<b>589</b>	<b>2.4</b>
<b>Japan</b>				
3 200	Aeon Co. Ltd.	93	105	
2 200	Cosmos Pharmaceutical Corp.	387	355	
2 000	CyberAgent Inc.	120	138	
300	Eisai Co. Ltd.	26	21	
300	GMO Payment Gateway Inc.	40	40	
6 600	Kyowa Hakko Kogyo Co. Ltd.	173	180	
3 700	Lawson Inc.	197	172	
500	Mercari Inc.	27	22	
300	Nintendo Co. Ltd.	169	193	
400	Nissan Chemical Corp.	24	25	
1 200	Nitto Denko Corp.	93	107	
67 500	Nomura Holdings Inc.	246	357	
53 700	Obayashi Corp.	508	464	
13 300	Sekisui House Ltd.	218	271	
500	Tokyo Electron Ltd.	112	187	
3 000	Toray Industries Inc.	18	18	
2 300	Toyo Suisan Kaisha Ltd.	120	112	
2 200	Trend Micro Inc.	123	127	
1 500	Welcia Holdings Co. Ltd.	63	57	
8 200	ZOZO Inc.	229	202	
		<b>2 986</b>	<b>3 153</b>	<b>13.0</b>

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



December 31, 2020

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Netherlands</b>				
70	Adyen N.V.	\$ 60	\$ 163	
		60	163	<b>0.7</b>
<b>New Zealand</b>				
32 848	a2 Milk Co. Ltd.	406	286	
2 709	Fisher & Paykel Healthcare Corp Ltd.	59	64	
7 921	Spark New Zealand Ltd.	25	27	
		490	377	<b>1.6</b>
<b>Norway</b>				
1 345	Telenor ASA	23	23	
		23	23	<b>0.1</b>
<b>Poland</b>				
8 107	PGE Polska Grupa Energetyczna S.A.	15	14	
18 580	Polskie Gornictwo Naftowe i Gazownictwo S.A.	28	28	
		43	42	<b>0.2</b>
<b>South Africa</b>				
1 355	Anglo American Platinum Corp.	47	133	
7 088	Kumba Iron Ore Ltd.	179	302	
57 165	MTN Group Ltd.	119	236	
		345	671	<b>2.8</b>
<b>South Korea</b>				
383	BGF Retail Co. Ltd.	62	48	
9 550	Hana Financial Group Inc.	366	304	
567	Korean Air Co. Ltd.	14	14	
		442	366	<b>1.5</b>
<b>Spain</b>				
543	Endesa S.A.	16	15	
17 538	Inditex S.A.	468	557	
		484	572	<b>2.3</b>
<b>Sweden</b>				
1 129	Evolution Gaming Group AB	81	114	
3 627	Kinnevik AB	167	182	
3 711	Lundin Energy AB	92	101	
1 148	Skanska AB	27	29	
3 597	Swedish Match AB	288	280	
		655	706	<b>2.9</b>
<b>Switzerland</b>				
2 091	Kuehne + Nagel International AG	311	474	
1 004	Logitech International S.A.	82	97	
814	Partners Group Holding AG	773	956	
126	SGS S.A.	337	380	
		1 503	1 907	<b>7.9</b>
<b>United Kingdom</b>				
1 280	Hargreaves Lansdown Plc.	30	27	
		30	27	<b>0.1</b>
<b>United States</b>				
637	Advanced Micro Devices Inc.	62	58	
10 859	Altria Group Inc.	471	445	
68	Amazon.com, Inc.	235	221	
2 883	Ameriprise Financial Inc.	365	560	
1 020	Apple Inc.	121	135	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United States (cont.)</b>				
258	Arista Networks Inc.	\$ 73	\$ 75	
989	Autodesk Inc.	231	302	
1 139	Best Buy Co. Inc.	110	114	
94	Biogen Inc.	26	23	
3 272	Cadence Design Systems Inc.	216	446	
4 418	Cardinal Health Inc.	245	237	
747	Citrix Systems Inc.	106	97	
438	Costco Wholesale Corp.	163	165	
732	CrowdStrike Holdings Inc., Class A	110	155	
1 545	CSX Corp.	139	140	
505	DocuSign Inc.	120	112	
1 083	eBay Inc.	35	54	
884	Eli Lilly & Co.	133	149	
461	Etsy Inc.	59	82	
3 289	Fortinet Inc.	260	489	
2 697	HCA Healthcare Inc.	359	444	
2 327	Home Depot Inc.	652	618	
599	HP Inc.	15	15	
437	Humana Inc.	154	179	
432	Illinois Tool Works Inc.	89	88	
9 915	International Paper Co.	478	493	
705	Intuit Inc.	160	268	
271	Kansas City Southern Industries Inc.	52	55	
87	KLA Corp.	23	23	
3 053	L Brands Inc.	120	114	
615	Lennar Corp.	46	47	
269	Lockheed Martin Corporation	103	95	
1 386	Lowe's Companies	184	222	
656	Manpower Inc.	61	59	
828	Marriott International Inc., Class A	107	109	
601	Masco Corp.	28	33	
353	McKesson Corp.	61	61	
421	Moderna Inc.	59	44	
1 916	NetApp Inc.	89	127	
909	Norfolk Southern Corp.	209	216	
73	O'Reilly Automotive Inc.	33	33	
4 667	Otis Worldwide Corp.	293	315	
2 663	Pulte Corp.	115	115	
388	QUALCOMM Inc.	57	59	
2 102	Robert Half International Inc.	114	131	
271	S&P Global Inc.	87	89	
816	Seagen Inc.	142	143	
118	ServiceNow Inc.	40	65	
1 397	Target Corporation	241	247	
1 496	Teradyne Inc.	152	179	
249	Texas Instruments Inc.	38	41	
183	Universal Health Services Inc., Class B	24	25	
1 393	Verisign Inc.	277	301	
1 903	Vertex Pharmaceuticals Inc.	512	450	
310	Wayfair Inc.	84	70	
1 928	Weyerhaeuser Company Ltd.	62	65	
966	Zillow Group Inc.	101	125	
1 373	Zoom Video Communications Inc.	371	463	
		9 072	10 285	<b>42.5</b>
<b>TOTAL INVESTMENTS – LONG POSITIONS</b>		<b>22 456</b>	<b>25 774</b>	<b>106.5</b>

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



December 31, 2020

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>INVESTMENTS – SECURITIES SOLD SHORT</b>				
<b>GLOBAL EQUITIES</b>				
<b>Belgium</b>				
(308)	Anheuser-Busch InBev S.A./N.V.	\$ (22)	\$ (21)	
(2 023)	Elia Group S.A.	(218)	(241)	
(2 853)	Groupe Bruxelles Lambert S.A.	(286)	(288)	
		(526)	(550)	(2.3)
<b>Canada</b>				
(9 400)	Algonquin Power & Utilities Corp.	(136)	(155)	
(5 800)	Cameco Corp.	(72)	(78)	
(13 400)	Cenovus Energy Inc.	(52)	(82)	
(600)	CGI Inc.	(46)	(48)	
(300)	Fairfax Financial Holdings Ltd.	(97)	(102)	
(6 600)	Imperial Oil Ltd.	(84)	(125)	
(1 400)	Suncor Energy Inc.	(24)	(23)	
(3 800)	Teck Resources Ltd., Class B	(37)	(69)	
		(548)	(682)	(2.8)
<b>China</b>				
(51)	BeiGene Ltd. ADR	(7)	(13)	
(1 906)	Bilibili Inc. ADR	(90)	(163)	
(5 132)	GDS Holdings Ltd., Class A ADR	(207)	(481)	
(1 369)	Hutchison China MediTech Ltd. ADR	(37)	(44)	
(4 054)	KE Holdings Inc. ADR	(255)	(249)	
(992)	Kingsoft Cloud Holdings Ltd. ADR	(47)	(43)	
(4 712)	Yum! China Holdings Inc.	(267)	(269)	
(633)	Zai Lab Ltd. ADR	(39)	(86)	
(12 948)	ZTO Express Cayman Inc. ADR	(413)	(378)	
		(1 362)	(1 726)	(7.1)
<b>Denmark</b>				
(2 218)	Christian Hansen Holding A/S	(225)	(229)	
		(225)	(229)	(1.0)
<b>France</b>				
(502)	Aéroports de Paris	(66)	(65)	
(1 450)	Airbus SE	(121)	(159)	
(3 305)	Dassault Systèmes S.A.	(562)	(670)	
(3 206)	EssilorLuxottica	(392)	(500)	
(90)	Kering S.A.	(49)	(65)	
(4 177)	Renault S.A.	(140)	(183)	
(2 408)	Valeo S.A.	(89)	(95)	
		(1 419)	(1 737)	(7.2)
<b>Germany</b>				
(1 233)	Adidas AG	(414)	(449)	
(262)	Beiersdorf AG	(30)	(30)	
(2 279)	Delivery Hero AG	(162)	(356)	
(5 063)	Infineon Technologies AG	(188)	(193)	
(654)	QIAGEN N.V.	(33)	(34)	
(1 609)	Siemens Healthineers AG	(80)	(83)	
		(907)	(1 145)	(4.7)
<b>Hong Kong</b>				
(2 443)	Jardine Matheson Holdings Ltd.	(136)	(137)	
(786)	Melco Crown Entertainment Ltd. ADR	(14)	(15)	
		(150)	(152)	(0.6)

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Italy</b>				
(21 012)	Infrastrutture Wireless Italiane S.p.A.	\$ (220)	\$ (255)	
		(220)	(255)	(1.1)
<b>Japan</b>				
(700)	Asahi Group Holdings Ltd.	(26)	(29)	
(9 200)	East Japan Railway Company	(598)	(614)	
(15 200)	Idemitsu Kosan Co. Ltd.	(389)	(335)	
(800)	Japan Airport Terminal Co. Ltd.	(48)	(49)	
(7 300)	Keihin Electric Express Railway Co. Ltd.	(114)	(125)	
(1 600)	Keio Dentetsu Electric Railway	(98)	(124)	
(3 600)	Kyocera Corporation	(219)	(221)	
(10 000)	Kyushu Electric Power Co. Inc.	(74)	(86)	
(13 500)	Odakyu Electric Railway Co. Ltd.	(334)	(424)	
(300)	Oracle Corp. Japan	(33)	(39)	
(2 800)	Oriental Land Co. Ltd.	(379)	(463)	
(6 400)	Shiseido Co. Ltd.	(363)	(443)	
(8 300)	Showa Denko K.K.	(163)	(177)	
(300)	Square Enix Holdings Co. Ltd.	(19)	(18)	
(16 700)	Sumitomo Dainippon Pharma Co. Ltd.	(230)	(247)	
(1 000)	Taisho Pharmaceutical Holdings Co. Ltd.	(64)	(67)	
(7 500)	Tokyo Century Corp.	(294)	(595)	
(600)	Toshiba Corp.	(16)	(17)	
(3 300)	Toyota Motor Corp.	(249)	(255)	
(800)	West Japan Railway Co.	(40)	(42)	
		(3 750)	(4 370)	(18.1)
<b>Mexico</b>				
(21 800)	Fomento Economico Mexicano S.A. Series B	(150)	(165)	
(3 855)	Industrias Penoles S.A.	(37)	(65)	
		(187)	(230)	(1.0)
<b>Netherlands</b>				
(2 253)	Coca-Cola European Partners Plc.	(106)	(112)	
(2 890)	Heineken N.V.	(268)	(322)	
(1 590)	Just Eat Takeaway	(158)	(179)	
		(532)	(613)	(2.5)
<b>New Zealand</b>				
(5 959)	Auckland International Airport Ltd.	(28)	(33)	
		(28)	(33)	(0.1)
<b>Norway</b>				
(4 557)	Mowi ASA	(93)	(102)	
		(93)	(102)	(0.4)
<b>Singapore</b>				
(12 800)	City Developments Ltd.	(74)	(77)	
(77 900)	Keppel Corp. Ltd.	(253)	(317)	
(87 500)	Singapore Tech Engineering Ltd.	(248)	(253)	
		(575)	(647)	(2.7)
<b>South Africa</b>				
(3 513)	Aspen Pharmacare Holdings Ltd.	(20)	(30)	
(1 306)	Reinet Investments SCA	(24)	(24)	
(20 926)	Woolworths Holdings Ltd.	(43)	(56)	
		(87)	(110)	(0.5)

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



December 31, 2020

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Spain</b>				
(1 501)	Aena S.A.	\$ (247)	\$ (261)	
(1 461)	Amadeus IT Group S.A.	(84)	(108)	
(4 541)	Cellnex Telecom S.A.	(188)	(273)	
(3 261)	Grifols S.A.	(86)	(95)	
(9 493)	Repsol S.A.	(68)	(96)	
		(673)	(833)	(3.4)
<b>Sweden</b>				
(675)	Assa Abloy AB	(17)	(17)	
(26 903)	Svenska Cellulosa AB	(327)	(470)	
		(344)	(487)	(2.0)
<b>Switzerland</b>				
(2 451)	Alcon Inc.	(141)	(163)	
(74)	Barry Callebaut AG	(163)	(176)	
(278)	Cie Financiere Richemont S.A.	(20)	(25)	
(37)	Lonza Group AG	(22)	(24)	
(293)	Vifor Pharma AG	(44)	(46)	
		(390)	(434)	(1.8)
<b>United Kingdom</b>				
(740)	Compass Group Plc.	(14)	(14)	
(10 703)	Informa Plc.	(80)	(80)	
(15 553)	Morrison WM Supermarkets	(37)	(38)	
(12 189)	Ocado Group Plc.	(182)	(381)	
(1 931)	RSA Insurance Group Plc.	(18)	(18)	
(2 346)	Smith & Nephew Plc.	(48)	(49)	
(17 538)	Tesco Plc.	(53)	(55)	
(54 765)	The Royal Bank of Scotland Group Plc.	(120)	(125)	
		(552)	(760)	(3.1)
<b>United States</b>				
(873)	1X Genomics Inc.	(131)	(124)	
(1 688)	AbbVie Inc.	(165)	(181)	
(4 275)	American Airlines Group Inc.	(72)	(67)	
(1 875)	Ansys Inc.	(445)	(682)	
(723)	Aptiv Plc.	(72)	(94)	
(1 191)	Baxter International Inc.	(95)	(96)	
(305)	Becton Dickinson & Co.	(73)	(76)	
(161)	Black Knight Inc., Class A	(15)	(14)	
(381)	Boeing Co.	(61)	(82)	
(2 015)	Borg-Warner Automotive Inc.	(77)	(78)	
(102)	Broadridge Financial Solutions Inc.	(15)	(16)	
(3 742)	Carnival Corp.	(59)	(81)	
(69)	Carvana Co., Class A	(18)	(17)	
(2 237)	Centene Corp.	(145)	(134)	
(978)	Cooper Co. Inc.	(295)	(355)	
(1 235)	Coupa Software Inc.	(346)	(419)	
(1 644)	Danaher Corp.	(277)	(365)	
(2 798)	Delta Air Lines Inc.	(112)	(113)	
(2 630)	Digital Realty Trust Inc.	(356)	(367)	
(4 428)	DraftKings Inc.	(223)	(206)	
(14 000)	Elanco Animal Health Inc.	(422)	(429)	
(5 109)	Essential Utilities Inc.	(247)	(242)	
(2 179)	Exact Sciences Corp.	(129)	(289)	
(2 457)	Expedia Group Inc.	(246)	(325)	
(510)	Exxon Mobil Corp.	(18)	(21)	

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United States (cont.)</b>				
(379)	Fidelity National Information Services Inc.	\$ (51)	\$ (54)	
(3 417)	FNH Group	(122)	(134)	
(8 057)	Franklin Resources Inc.	(199)	(201)	
(673)	Global Payments Inc.	(113)	(145)	
(1 145)	Hasbro Inc.	(86)	(107)	
(5 778)	Hess Corp.	(229)	(305)	
(1 980)	Host Marriott Corp.	(28)	(29)	
(5 222)	Ingersoll-Rand Inc.	(155)	(238)	
(359)	Intercontinental Exchange, Inc.	(36)	(41)	
(10 010)	KKR & Co. Inc., Class A	(360)	(405)	
(584)	McDonald's Corp.	(126)	(125)	
(654)	MongoDB Inc., Class A	(144)	(235)	
(2 544)	Norwegian Cruise Line Holdings Ltd.	(41)	(65)	
(1 095)	ProLogis Inc. Trust	(109)	(109)	
(630)	PTC Inc.	(66)	(75)	
(4 456)	Raytheon Technologies Corp.	(277)	(319)	
(982)	RenaissanceRe Holdings Ltd.	(178)	(163)	
(694)	RingCentral Inc.	(203)	(263)	
(335)	Roku Inc., Class A	(33)	(111)	
(838)	Roper Technologies Inc.	(339)	(361)	
(816)	Royal Caribbean Cruises Ltd.	(61)	(61)	
(490)	Salesforce.com Inc.	(100)	(109)	
(1 491)	Splunk Inc.	(226)	(253)	
(966)	Starbucks Corp.	(100)	(103)	
(4 600)	Sunrun Inc.	(292)	(319)	
(260)	Teladoc Health Inc.	(49)	(52)	
(2 419)	The Charles Schwab Corporation	(94)	(128)	
(2 892)	Tiffany and Co.	(352)	(380)	
(4 436)	T-Mobile US Inc.	(510)	(598)	
(3 276)	Truist Financial Corp.	(135)	(157)	
(1 042)	United Airlines Holdings Inc.	(48)	(45)	
(2 576)	ViacomCBS Inc., Class B	(67)	(96)	
(3 384)	Walgreens Boots Alliance Inc.	(137)	(135)	
		(9 180)	(10 794)	(44.6)
<b>TOTAL INVESTMENTS – SECURITIES SOLD SHORT</b>		(21 748)	(25 889)	(107.0)

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



December 31, 2020

Par Value (000s)	Security	Yield %	Maturity	Cost	Fair Value	% of Net Assets
<b>SHORT-TERM INVESTMENTS</b>						
12 900	United States Treasury Bills	0.090	14-Jan-2021	\$ 12 897	\$ 12 897	
650	United States Treasury Bills	0.095	04-Feb-2021	650	650	
2 600	United States Treasury Bills	0.070	04-Mar-2021	2 600	2 600	
<b>TOTAL SHORT-TERM INVESTMENTS</b>				16 147	16 147	<b>66.7</b>
<b>TOTAL INVESTMENTS</b>				16 855	16 032	<b>66.2</b>
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				–	3	–
<b>UNREALIZED LOSS ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)</b>				–	(2)	–
<b>TOTAL PORTFOLIO</b>				<b>\$ 16 855</b>	<b>16 033</b>	<b>66.2</b>
<b>CASH</b>					11 299	<b>46.7</b>
<b>DUE FROM INVESTMENT DEALERS</b>					3 094	<b>12.8</b>
<b>DUE TO INVESTMENT DEALERS</b>					(2 919)	<b>(12.1)</b>
<b>REDEMPTIONS PAYABLE</b>					(3 300)	<b>(13.6)</b>
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					3	–
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					<b>\$ 24 210</b>	<b>100.0</b>

**SCHEDULE A**

**Foreign Exchange Contracts**

Contracts	Maturity Date	Unrealized Gain
Bought CAD 213 Sold USD 167 @ 1.2740	04-Jan-2021	\$ 1
Bought MXN 869 Sold USD 44 @ 19.8855	04-Jan-2021	1
Bought SGD 298 Sold USD 225 @ 1.3238	04-Jan-2021	–
Bought USD 25 Sold GBP 18 @ 1.3611	04-Jan-2021	–
Bought USD 198 Sold EUR 161 @ 1.2289	04-Jan-2021	1
Bought JPY 3 375 Sold USD 33 @ 103.2260	05-Jan-2021	–
Bought USD 69 Sold DKK 416 @ 0.1652	05-Jan-2021	–
Bought USD 178 Sold NZD 247 @ 0.7209	05-Jan-2021	–
Bought USD 193 Sold HKD 1 498 @ 0.1290	05-Jan-2021	–
Bought USD 53 Sold SEK 436 @ 0.1220	05-Jan-2021	–
		<u>\$ 3</u>
Contracts	Maturity Date	Unrealized Loss
Bought EUR 172 Sold USD 211 @ 0.8137	05-Jan-2021	\$ (1)
Bought ZAR 1 845 Sold USD 126 @ 14.5996	05-Jan-2021	(1)
		<u>\$ (2)</u>
<b>TOTAL FOREIGN EXCHANGE</b>		<u>\$ 1</u>

All counterparties have a credit rating of at least A.



### Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2020	December 31 2019
<b>ASSETS</b>		
Investments at fair value	\$ 41 921	\$ 96 276
Cash	11 299	27 720
Due from investment dealers	3 094	920
Unrealized gain on foreign exchange contracts	3	1
Dividends receivable, interest accrued and other assets	40	139
<b>TOTAL ASSETS</b>	<b>56 357</b>	<b>125 056</b>
<b>LIABILITIES</b>		
Investments in securities sold short	25 889	64 362
Stock loan fee payable	21	–
Due to investment dealers	2 919	1 284
Redemptions payable	3 300	60
Unrealized loss on foreign exchange contracts	2	1
Dividends payable on short sales	12	25
Accounts payable and accrued expenses	4	64
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>32 147</b>	<b>65 796</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 24 210</b>	<b>\$ 59 260</b>
Investments at cost	\$ 16 855	\$ 31 589
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 172</b>	<b>\$ 240</b>
<b>SERIES F</b>	<b>\$ 1 927</b>	<b>\$ 4 516</b>
<b>SERIES O</b>	<b>\$ 22 111</b>	<b>\$ 54 504</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 6.99</b>	<b>\$ 7.75</b>
<b>SERIES F</b>	<b>\$ 7.52</b>	<b>\$ 8.28</b>
<b>SERIES O</b>	<b>\$ 7.74</b>	<b>\$ 8.45</b>

### 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
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 849	\$ 3 157
Dividends on short sales	(577)	(2 238)
Interest for distribution purposes	246	2 260
Income from investment trusts	(22)	(88)
Derivative income	(22)	(62)
Net realized gain (loss) on investments	(851)	(16 496)
Change in unrealized gain (loss) on investments	(1 147)	3 237
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>(1 524)</b>	<b>(10 230)</b>
Net gain (loss) on foreign cash balances	(6)	30
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>(6)</b>	<b>30</b>
<b>TOTAL INCOME (LOSS)</b>	<b>(1 530)</b>	<b>(10 200)</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	27	123
Administration fees	7	22
Independent Review Committee costs	–	1
GST/HST	4	14
Transaction costs	165	696
Withholding tax	129	561
Stock loan fee	296	620
Interest on bank overdraft	189	1 334
<b>TOTAL EXPENSES</b>	<b>817</b>	<b>3 371</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ (2 347)</b>	<b>\$ (13 571)</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ (21)</b>	<b>\$ (69)</b>
<b>SERIES F</b>	<b>\$ (166)</b>	<b>\$ (1 797)</b>
<b>SERIES O</b>	<b>\$ (2 160)</b>	<b>\$ (11 705)</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ (0.69)</b>	<b>\$ (1.22)</b>
<b>SERIES F</b>	<b>\$ (0.59)</b>	<b>\$ (1.41)</b>
<b>SERIES O</b>	<b>\$ (0.49)</b>	<b>\$ (1.14)</b>



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

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

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ (2 347)	\$ (13 571)
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	–
Non-cash dividends	–	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	851	16 496
Change in unrealized loss (gain) on investments	1 147	(3 237)
(Increase) decrease in accrued receivables	99	277
Increase (decrease) in accrued payables	(52)	(59)
(Increase) decrease in margin accounts	–	–
Cost of investments purchased*	(247 966)	(766 169)
Proceeds from sale and maturity of investments*	261 310	802 683
<b>NET CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>	<b>13 042</b>	<b>36 420</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units*	4 288	8 587
Cash paid on redemption of redeemable units*	(33 751)	(85 926)
Distributions paid to holders of redeemable units	–	–
<b>NET CASH PROVIDED BY (USED IN)</b>		
<b>FINANCING ACTIVITIES</b>	<b>\$ (29 463)</b>	<b>\$ (77 339)</b>
Net increase (decrease) in cash for the period	(16 421)	(40 919)
Cash (bank overdraft), beginning of period	27 720	68 639
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 11 299</b>	<b>\$ 27 720</b>
Interest received (paid) <sup>†</sup>	\$ 320	\$ 2 454
Income from investment trusts received (paid) <sup>†‡</sup>	\$ (23)	\$ (85)
Dividends received (paid) <sup>†‡</sup>	\$ 156	\$ 438

\* Excludes in-kind transactions.

<sup>†</sup> Classified as part of operating activities.

<sup>‡</sup> 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 O		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 240	\$ 816	\$ 4 516	\$ 16 417	\$ 54 504	\$ 132 997	\$ 59 260	\$ 150 230
<b>INCREASE (DECREASE) IN NAV</b>	(21)	(69)	(166)	(1 797)	(2 160)	(11 705)	(2 347)	(13 571)
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	–	–	68	3 756	4 220	4 831	4 288	8 587
Reinvestments of distributions to holders of redeemable units	2	–	29	–	607	–	638	–
Redemption of redeemable units	(47)	(507)	(2 491)	(13 860)	(34 453)	(71 619)	(36 991)	(85 986)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	(45)	(507)	(2 394)	(10 104)	(29 626)	(66 788)	(32 065)	(77 399)
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	(2)	–	(29)	–	(607)	–	(638)	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	(2)	–	(29)	–	(607)	–	(638)	–
<b>NET INCREASE (DECREASE) IN NAV</b>	(68)	(576)	(2 589)	(11 901)	(32 393)	(78 493)	(35 050)	(90 970)
<b>NAV AT END OF PERIOD</b>	\$ 172	\$ 240	\$ 1 927	\$ 4 516	\$ 22 111	\$ 54 504	\$ 24 210	\$ 59 260



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 securities of issuers listed on global equity markets which are expected to outperform comparable securities, while selling short an equivalent dollar amount of global equity securities which are expected to underperform.

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

#### 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	6.1	4.7
Denmark	5.3	3.6
Brazil	3.3	0.2
Finland	3.3	(0.7)
South Africa	2.3	1.6
New Zealand	1.5	(1.5)
South Korea	1.5	4.5
Italy	1.3	(0.6)
Sweden	0.9	3.5
Poland	0.2	–
Australia	–	4.7
Germany	–	(5.1)
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)	(5.3)
Netherlands	(1.8)	–
United States	(2.1)	(4.3)
Belgium	(2.3)	(0.3)
Singapore	(2.7)	(3.8)
United Kingdom	(3.0)	(1.5)
Japan	(5.1)	(5.0)
France	(6.0)	5.4
Cash/Other	100.5	100.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Currency risk (% of NAV)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	December 31 2020	December 31 2019
Swiss franc	6.2	4.7
Danish krone	5.4	3.6
Hong Kong dollar	4.2	5.5
Brazilian real	3.4	0.2
South Korean won	2.3	4.5
South African rand	2.3	1.6
New Zealand dollar	1.4	(1.5)
Swedish krona	0.9	3.5
Australian dollar	–	4.7
Norwegian krone	(0.3)	0.8
Mexican peso	(0.9)	(0.3)
Singapore dollar	(2.7)	(3.8)
Pound sterling	(3.0)	(1.5)
Japanese yen	(5.4)	(5.1)
Euro	(5.5)	(6.9)
Other currencies	0.2	–
<b>Total</b>	<b>8.5</b>	<b>10.0</b>

As at December 31, 2020, if the United States dollar had strengthened or weakened by 5% in relation to the above currencies, with all other factors kept constant, the Fund's NAV may have decreased or increased, respectively, by approximately 0.4% (December 31, 2019 – 0.5%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

### 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 (USD)	+ or - <b>-0.5</b>	+ or - <b>0.0</b>

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, 2020

**Fair value hierarchy (USD000s 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 – long	12 426	13 348	–	25 774
Equities – short	(13 559)	(12 330)	–	(25 889)
Underlying funds – long	–	–	–	–
Underlying funds – short	–	–	–	–
Fixed-income and debt securities – long	–	–	–	–
Fixed-income and debt securities – short	–	–	–	–
Short-term investments	–	16 147	–	16 147
Derivatives – assets	–	3	–	3
Derivatives – liabilities	–	(2)	–	(2)
<b>Total financial instruments</b>	<b>(1 133)</b>	<b>17 166</b>	<b>–</b>	<b>16 033</b>
<b>% of total portfolio</b>	<b>(7.1)</b>	<b>107.1</b>	<b>–</b>	<b>100.0</b>

December 31, 2019	Level 1	Level 2	Level 3	Total
Equities – long	26 087	37 949	–	64 036
Equities – short	(32 361)	(32 001)	–	(64 362)
Underlying funds – long	–	–	–	–
Underlying funds – short	–	–	–	–
Fixed-income and debt securities – long	–	–	–	–
Fixed-income and debt securities – short	–	–	–	–
Short-term investments	–	32 240	–	32 240
Derivatives – assets	–	1	–	1
Derivatives – liabilities	–	(1)	–	(1)
<b>Total financial instruments</b>	<b>(6 274)</b>	<b>38 188</b>	<b>–</b>	<b>31 914</b>
<b>% of total portfolio</b>	<b>(19.7)</b>	<b>119.7</b>	<b>–</b>	<b>100.0</b>

For the periods ended December 31, 2020 and 2019, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

**Custodian**

Credit Suisse Securities (U.S.A.) LLC and The Bank of Nova Scotia are the custodians of the Fund, hold the assets of the Fund and earn a fee as the custodians, which is paid by the manager from the fixed administration fee paid by the Fund.

**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 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**  
(USD000s 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
<b>Units held</b>		
Series A	56	55
Series F	61	61
Series O	63	62
<b>Value of all units</b>	<b>1</b>	<b>1</b>

**Taxes (CAD000s) (see note 6 in the generic notes)**

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

The non-capital and capital losses as at December 31, 2020 for the Fund were approximately:

Capital losses	5 487
Non-capital losses	3 538
Non-capital losses expire in:	
2039	3 538



December 31, 2020

### 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
<b>Series A</b>		
Opening units	31	92
Issued number of units	1	–
Reinvested number of units	–	–
Redeemed number of units	(7)	(61)
Ending number of units	25	31

#### Series F

Opening units	545	1 745
Issued number of units	8	412
Reinvested number of units	4	–
Redeemed number of units	(301)	(1 612)
Ending number of units	256	545

#### Series O

Opening units	6 447	14 006
Issued number of units	509	542
Reinvested number of units	73	–
Redeemed number of units	(4 173)	(8 101)
Ending number of units	2 856	6 447

### Transaction costs (USD000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2020		December 31 2019	
	\$	%	\$	%
Total transaction costs	165	100	696	100
Related-party brokerage commissions*	–	–	5	1
Commission arrangements <sup>†</sup>	–	–	–	–

\* See note 8 in the generic notes.

<sup>†</sup> Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as “soft dollars”) for research and/or order execution goods and services.

### 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 Alpha Plus U.S. Equity Fund	5.3	–
RBC QUBE Market Neutral World Equity Fund (CAD Hedged)	81.7	83.2
Total	87.0	83.2

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

### Offsetting financial assets and liabilities (USD000s) (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)	3	(2)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	3	(2)
Related amounts not set-off	(2)	2
Collateral (received) pledged	–	–
Net amount	1	–

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

## 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.



December 31, 2020

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.

**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.

December 31, 2020

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.



December 31, 2020

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.

December 31, 2020

***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

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

(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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 10, 2022



SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)  
**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND**

December 31, 2021

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>INVESTMENTS – LONG POSITIONS</b>				
<b>GLOBAL EQUITIES</b>				
<b>Australia</b>				
9 058	ASX Ltd.	\$ 558	\$ 612	
7 872	Fortescue Metals Group Ltd.	108	111	
5 486	Sonic Healthcare Ltd.	159	186	
		825	909	<b>5.0</b>
<b>Austria</b>				
1 142	Voestalpine AG	45	41	
		45	41	<b>0.2</b>
<b>Brazil</b>				
75 587	Cia Energetica de Minas Gerais Preference	170	178	
8 600	CPFL Energia S.A.	41	41	
2 200	Energisa S.A.	17	18	
17 500	Equatorial Energia S.A.	73	71	
		301	308	<b>1.7</b>
<b>Canada</b>				
300	Constellation Software Inc.	236	557	
		236	557	<b>3.1</b>
<b>China</b>				
51 300	China COSCO Holdings Co. Ltd.	43	99	
5 400	China Literature Ltd.	49	34	
6 000	China Resources Power Holdings Co. Ltd.	15	20	
500	ENN Energy Holdings Ltd.	9	9	
4 400	Hopson Development Holdings Ltd.	14	9	
1 804	Huazhu Group Ltd. ADR	95	67	
1 309	JOYY Inc. ADR	78	59	
11 000	KWG Group Holdings Ltd.	14	7	
58 000	Lenovo Group Limited	62	67	
27 000	Logan Group Co. Ltd.	42	21	
1 299	OneConnect Financial Technology Co. Ltd. ADR	17	3	
94 000	Petrochina Co.	37	43	
111	Pinduoduo Inc. ADR	11	6	
87 000	Sinotruk Hong Kong Ltd.	136	134	
43 600	Tongcheng Travel Holdings Ltd.	99	81	
4 893	Vipshop Holdings Ltd. ADR	109	41	
42 000	Yadea Group Holdings Ltd.	86	82	
		916	782	<b>4.3</b>
<b>Czech Republic</b>				
272	CEZ A.S.	10	10	
		10	10	<b>0.1</b>
<b>Denmark</b>				
87	AP Moller – Maersk A/S	196	310	
280	Genmab A/S	104	112	
1 291	Novo Nordisk A/S	115	145	
549	Pandora A/S	53	68	
		468	635	<b>3.5</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Finland</b>				
1 082	Fortum OYJ	\$ 33	\$ 33	
3 285	Kone OYJ	231	236	
		264	269	<b>1.5</b>
<b>France</b>				
988	Airbus SE	124	126	
239	Cie de Saint-Gobain	12	17	
3 729	EDF S.A., Rights January 3, 2022	0	0	
3 729	Electricite de France S.A.	48	44	
158	Eurazeo S.A.	16	14	
135	Ipsen S.A.	13	12	
209	La Francaise des Jeux SAEM	9	9	
6 216	Société Générale	191	213	
1 184	UBISOFT Entertainment	76	58	
		489	493	<b>2.7</b>
<b>Germany</b>				
409	Beiersdorf AG	42	42	
80	Daimler Truck Holding AG	3	3	
20 652	Deutsche Bank AG	228	257	
2 494	Deutsche Post AG	116	161	
1 044	Evonik Industries AG	32	34	
112	HelloFresh SE	9	9	
		430	506	<b>2.8</b>
<b>Hong Kong</b>				
10 000	CK Asset Holdings Ltd.	60	63	
29 500	Hongkong Land Holdings Ltd.	127	153	
16 500	MTR Corp.	89	89	
13 000	SITC International Holdings Co. Ltd.	52	47	
27 400	Swire Properties Ltd.	71	69	
		399	421	<b>2.3</b>
<b>Israel</b>				
6 162	Israel Discount Bank Ltd.	38	41	
4 605	Mizrahi Tefahot Bank Ltd.	167	178	
83	Wix.com Ltd.	12	13	
		217	232	<b>1.3</b>
<b>Italy</b>				
9 591	CNH Industrial N.V.	132	185	
1 791	EXOR N.V.	150	160	
58	Ferrari N.V.	13	15	
1 319	UniCredit S.p.A.	18	20	
		313	380	<b>2.1</b>
<b>Japan</b>				
100	Advantest Corp.	10	9	
6 900	Astellas Pharma Inc.	118	112	
500	Benefit One Inc.	21	21	
2 300	Canon Inc.	56	56	
6 500	Capcom Co. Ltd.	175	153	
1 000	Chugai Pharmaceutical Co. Ltd.	33	33	
5 500	CyberAgent Inc.	95	92	
700	Dentsu Inc.	28	25	
1 300	Hakuhodo DY Holdings Inc.	21	22	

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



December 31, 2021

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Japan (cont.)</b>				
3 100	Hino Motors Ltd.	\$ 26	\$ 26	
400	Hoya Corp.	59	59	
11 400	Iida Group Holdings Co. Ltd.	281	265	
3 100	Isuzu Motors Ltd.	45	39	
700	Konami Holdings Corp.	41	34	
300	Kyowa Hakko Kogyo Co. Ltd.	8	8	
2 700	Lawson Inc.	144	128	
3 000	Mazda Motor Corp.	26	23	
3 400	Nabtesco Corp.	115	101	
1 700	Nitto Denko Corp.	130	131	
4 000	Olympus Optical Co. Ltd.	88	92	
1 700	Oracle Corp. Japan	156	129	
800	Persol Holdings Co. Ltd.	20	23	
700	Recruit Holdings Co. Ltd.	40	43	
1 000	Ricoh Co. Ltd.	11	9	
1 900	Ryohin Keikaku Co. Ltd.	31	29	
500	Seiko Epson Corp.	10	9	
1 800	SG Holdings Co. Ltd.	47	42	
3 400	Sumitomo Chemical Co. Ltd.	18	16	
5 600	Sumitomo Dainippon Pharma Co. Ltd.	100	65	
500	Trend Micro Inc.	26	28	
4 300	Yamaha Motor Co. Ltd.	121	103	
		<b>2 100</b>	<b>1 925</b>	<b>10.6</b>
<b>Mexico</b>				
11 900	Fibra Uno Administracion S.A. de C.V. Real Estate Investment Trust	12	13	
1 935	Grupo Aeroportuario del Sureste S.A.B. de C.V.	37	40	
		<b>49</b>	<b>53</b>	<b>0.3</b>
<b>Netherlands</b>				
155	Adyen N.V.	275	407	
514	ASML Holding N.V.	390	411	
831	NN Group N.V.	43	45	
		<b>708</b>	<b>863</b>	<b>4.8</b>
<b>New Zealand</b>				
2 849	Spark New Zealand Ltd.	10	9	
		<b>10</b>	<b>9</b>	<b>-</b>
<b>Norway</b>				
5 607	Aker BP ASA	184	172	
6 639	Mowi ASA	182	157	
11 426	Norsk Hydro ASA	86	90	
2 984	Telenor ASA	51	47	
6 484	Yara International ASA	339	327	
		<b>842</b>	<b>793</b>	<b>4.4</b>
<b>Poland</b>				
33 533	PGE Polska Grupa Energetyczna S.A.	72	67	
		<b>72</b>	<b>67</b>	<b>0.4</b>
<b>South Africa</b>				
7 524	MTN Group Ltd.	16	81	
1 633	Sasol Ltd.	30	27	
		<b>46</b>	<b>108</b>	<b>0.6</b>

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>South Korea</b>				
2 081	Hana Financial Group Inc.	\$ 80	\$ 73	
940	HMM Co. Ltd.	24	21	
3 177	Korean Air Co. Ltd.	85	78	
1 046	Samsung Engineering Co. Ltd.	20	20	
1 586	S-Oil Corp.	120	114	
		<b>329</b>	<b>306</b>	<b>1.7</b>
<b>Spain</b>				
6 755	BBVA S.A.	39	40	
5 685	Iberdrola S.A.	77	67	
3 473	Inditex S.A.	93	112	
		<b>209</b>	<b>219</b>	<b>1.2</b>
<b>Sweden</b>				
138	Atlas Copco AB	9	10	
3 586	Electrolux AB	97	87	
365	Epiroc AB	9	9	
21 638	Ericsson (LM) Tel., Series B	257	238	
955	Getinge AB	40	42	
18 652	Hennes & Mauritz AB, Series B	384	366	
3 176	Husqvarna AB	41	51	
1 954	Investor AB	46	49	
455	Lundin Energy AB	11	16	
4 069	Skandinaviska Enskilda Banken	57	56	
22 122	Swedish Match AB	177	175	
		<b>1 128</b>	<b>1 099</b>	<b>6.1</b>
<b>Switzerland</b>				
276	Kuehne + Nagel International AG	61	89	
73	Straumann Holding AG	157	154	
		<b>218</b>	<b>243</b>	<b>1.3</b>
<b>United Kingdom</b>				
8 062	Evrax Plc.	64	66	
1 639	Hargreaves Lansdown Plc.	29	30	
9 279	Natwest Group Plc.	27	28	
		<b>120</b>	<b>124</b>	<b>0.7</b>
<b>United States</b>				
52	Adobe Inc.	31	29	
1 046	Advanced Micro Devices Inc.	107	151	
1 333	Airbnb Inc., Class A	246	222	
61	Align Technology Inc.	40	40	
344	American Express Company	62	56	
2 565	APA Corp.	52	69	
704	Apple Inc.	104	125	
784	Bath & Body Works Inc.	31	55	
1 352	Blackstone Inc.	155	175	
361	Capital One Financial Corp.	57	52	
874	Cerner Corp.	65	81	
2 836	Discover Financial Services	348	328	
585	DocuSign Inc.	139	89	
1 408	Dow Inc.	75	80	
4 760	DuPont de Nemours Inc.	369	385	
2 916	eBay Inc.	202	194	
1 179	Edwards Lifesciences Corp.	141	153	
448	Expedia Group Inc.	71	81	
537	Fortinet Inc.	42	193	
351	Gartner Inc.	104	117	
609	Hewlett Packard Enterprise Co.	9	10	

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



December 31, 2021

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United States (cont.)</b>				
1 655	HP Inc.	\$ 47	\$ 62	
34	HubSpot Inc.	22	22	
19	IDEXX Laboratories Inc.	10	13	
125	Incyte Corporation Ltd.	10	9	
5 956	Interpublic Group of Companies Inc.	213	223	
1 274	Invesco Ltd.	33	29	
184	Iron Mountain Inc. Real Estate Investment Trust	9	10	
216	KLA Corp.	70	93	
329	LyondellBasell Industries N.V.	29	30	
35	Mettler-Toledo International Inc.	43	59	
300	Microsoft Corp.	100	101	
490	Moderna Inc.	95	124	
622	Molina Healthcare Inc.	144	198	
2 425	NetApp Inc.	179	223	
2 864	NortonLifeLock Inc.	80	74	
622	Novavax Inc.	113	89	
1 221	ON Semiconductor Corporation	44	83	
1 396	ONEOK, Inc.	78	82	
7 379	Pfizer Inc.	323	436	
1 639	QUALCOMM Inc.	226	300	
322	Robert Half International Inc.	18	36	
293	S&P Global Inc.	110	138	
1 020	Simon Property Group Inc.	154	163	
555	State Street Corp.	53	52	
2 390	Synchrony Financial	114	111	
549	SynOpsys Inc.	193	202	
1 320	Tapestry Inc.	52	54	
44	Target Corporation	8	10	
1 807	Under Armour Inc., Class A	38	38	
676	United Parcel Service Inc.	143	145	
278	Veeva Systems Inc.	88	71	
1 475	Verisign Inc.	301	374	
553	Waters Corp.	198	206	
1 490	Wells Fargo & Company	73	71	
3 555	Weyerhaeuser Company Ltd.	120	146	
459	Workday Inc.	111	125	
		6 092	6 887	38.0
<b>TOTAL INVESTMENTS – LONG POSITIONS</b>				
<b>INVESTMENTS – SECURITIES SOLD SHORT</b>		16 836	18 239	100.7
<b>GLOBAL EQUITIES</b>				
<b>Argentina</b>				
(59)	Globant S.A.	(12)	(19)	
		(12)	(19)	(0.1)
<b>Belgium</b>				
(158)	Anheuser-Busch InBev S.A./N.V.	(9)	(10)	
(160)	Argenx SE	(44)	(57)	
(4 086)	Groupe Bruxelles Lambert S.A.	(435)	(456)	
(141)	KBC Groep N.V.	(12)	(12)	
		(500)	(535)	(3.0)

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Canada</b>				
(2 100)	Air Canada	\$ (42)	\$ (35)	
(29 900)	Algonquin Power & Utilities Corp.	(460)	(432)	
(600)	Ballard Power Systems Inc.	(11)	(8)	
(3 400)	Brookfield Asset Management Inc., Class A	(186)	(205)	
(2 100)	CAE Inc.	(64)	(53)	
(10 100)	Cenovus Energy Inc.	(90)	(124)	
(700)	Intact Financial Corp.	(95)	(91)	
(1 400)	Lightspeed Commerce Inc.	(102)	(57)	
(300)	Parkland Corp.	(10)	(8)	
		(1 060)	(1 013)	(5.6)
<b>China</b>				
(154)	Autohome Inc. ADR	(15)	(5)	
(96)	Baidu.com Inc. ADR	(18)	(14)	
(1 264)	Baozun Inc. ADR	(52)	(18)	
(51)	BeiGene Ltd. ADR	(7)	(14)	
(5 218)	GDS Holdings Ltd., Class A ADR	(276)	(246)	
(471)	Hutchison China MediTech Ltd. ADR	(13)	(17)	
(3 123)	Kingsoft Cloud Holdings Ltd. ADR	(109)	(49)	
(7 008)	Vnet Group Inc. ADR	(222)	(63)	
(446)	XPeng Inc. ADR	(18)	(22)	
(1 274)	Yum! China Holdings Inc.	(73)	(63)	
(6 813)	ZTO Express Cayman Inc. ADR	(216)	(192)	
		(1 019)	(703)	(3.9)
<b>Denmark</b>				
(1 271)	Christian Hansen Holding A/S	(127)	(101)	
(8 952)	Tryg A/S	(221)	(221)	
(2 351)	Vestas Wind Systems A/S	(92)	(72)	
		(440)	(394)	(2.2)
<b>Finland</b>				
(1 923)	Neste OYJ	(106)	(95)	
(3 151)	UPM-Kymmene OYJ	(114)	(120)	
		(220)	(215)	(1.2)
<b>France</b>				
(282)	Aéroports de Paris	(37)	(36)	
(11 211)	Alstom RGPT	(513)	(398)	
(227)	EssilorLuxottica	(28)	(48)	
(441)	Euronext N.V.	(43)	(46)	
(80)	Safran S.A.	(9)	(10)	
(2 915)	TotalEnergies SE	(149)	(148)	
(5 426)	Worldline S.A.	(452)	(302)	
		(1 231)	(988)	(5.5)
<b>Germany</b>				
(2 118)	Delivery Hero AG	(232)	(234)	
(1 286)	Fresenius Medical Care AG & Co. KGaA	(91)	(83)	
(807)	Fresenius SE	(38)	(32)	
(54)	Siemens AG	(9)	(9)	
(6 564)	Siemens Healthineers AG	(403)	(489)	
(7 610)	Vonovia SE	(429)	(419)	
(638)	Zalando SE	(60)	(51)	
		(1 262)	(1 317)	(7.3)



December 31, 2021

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Hong Kong</b>				
(5 950)	Melco Crown Entertainment Ltd. ADR	\$ (108)	\$ (61)	
		(108)	(61)	(0.3)
<b>Italy</b>				
(3 261)	Infrastrutture Wireless Italiane S.p.A.	(34)	(40)	
		(34)	(40)	(0.2)
<b>Japan</b>				
(3 100)	All Nippon Airways Co. Ltd.	(66)	(65)	
(300)	Asahi Group Holdings Ltd.	(13)	(12)	
(300)	Central Japan Railway Co.	(43)	(40)	
(5 300)	East Japan Railway Company	(348)	(326)	
(13 400)	ENEOS Holdings Inc.	(56)	(50)	
(600)	Hikari Tsushin Inc.	(114)	(92)	
(500)	Hitachi Ltd.	(31)	(27)	
(400)	Idemitsu Kosan Co. Ltd.	(10)	(10)	
(3 800)	Japan Airlines Co. Ltd.	(84)	(72)	
(3 200)	Keisei Electric Railway Co. Ltd.	(108)	(87)	
(7 500)	Makita Corp.	(371)	(318)	
(95 400)	Mitsubishi HC Capital Inc.	(513)	(472)	
(2 700)	MonotaRO Co. Ltd.	(64)	(49)	
(17 300)	Nippon Paint Co. Ltd.	(183)	(189)	
(2 000)	Oriental Land Co. Ltd.	(271)	(337)	
(1 800)	Seven & I Holdings Co. Ltd.	(76)	(79)	
(2 700)	Shimizu Corp.	(17)	(17)	
(3 700)	West Japan Railway Co.	(171)	(155)	
(31 100)	Z Holdings Corp.	(146)	(179)	
		(2 685)	(2 576)	(14.2)
<b>Mexico</b>				
(2 200)	Grupo Mexico S.A.B. de C.V.	(9)	(10)	
		(9)	(10)	(0.1)
<b>Netherlands</b>				
(608)	Coca-Cola Europacific Partners Plc.	(29)	(34)	
(2 664)	Just Eat Takeaway	(229)	(145)	
		(258)	(179)	(1.0)
<b>Norway</b>				
(6 032)	Adevinta ASA	(111)	(80)	
		(111)	(80)	(0.4)
<b>Singapore</b>				
(33 000)	City Developments Ltd.	(184)	(167)	
(8 800)	DBS Group Holdings Ltd.	(203)	(213)	
(7 300)	Oversea-Chinese Banking Corp.	(64)	(62)	
(515)	Sea Ltd. ADR	(115)	(115)	
(36 800)	Singapore Airlines Ltd.	(143)	(136)	
(18 300)	Singapore Exchange Ltd.	(137)	(126)	
(4 500)	United Overseas Bank Ltd.	(89)	(90)	
		(935)	(909)	(5.0)
<b>South Africa</b>				
(676)	African Rainbow Minerals Ltd.	(9)	(10)	
(2 320)	Aspen Pharmacare Holdings Ltd.	(13)	(33)	
		(22)	(43)	(0.2)

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>Spain</b>				
(2 673)	Cellnex Telecom S.A.	\$ (161)	\$ (155)	
(719)	Grifols S.A.	(13)	(14)	
		(174)	(169)	(0.9)
<b>Sweden</b>				
(153)	Evolution AB	(25)	(22)	
(11 115)	Sinch AB	(182)	(140)	
		(207)	(162)	(0.9)
<b>Switzerland</b>				
(32 735)	Credit Suisse Group	(335)	(317)	
(283)	Lonza Group AG	(188)	(235)	
(87)	Partners Group Holding AG	(150)	(143)	
		(673)	(695)	(3.8)
<b>United Kingdom</b>				
(1 184)	AstraZeneca Plc.	(129)	(138)	
(1 570)	3i Group Plc.	(26)	(31)	
(1 718)	Croda International Plc.	(184)	(235)	
(2 346)	Smith & Nephew Plc.	(48)	(41)	
(5 698)	Ocado Group Plc.	(85)	(130)	
(6 927)	Aveva Group Plc.	(346)	(319)	
(13 472)	Informa Plc.	(98)	(94)	
		(916)	(988)	(5.5)
<b>United States</b>				
(339)	1X Genomics Inc.	(54)	(50)	
(666)	Alexandria Real Estate Equities Inc.	(121)	(148)	
(3 927)	Amphenol Corp., Class A	(286)	(343)	
(1 651)	Analog Devices Inc.	(292)	(290)	
(4 742)	Atmos Energy Corp.	(483)	(497)	
(707)	Baker Hughes Co.	(17)	(17)	
(36)	Bill.com Holdings Inc.	(9)	(9)	
(201)	Borg-Warner Automotive Inc.	(9)	(9)	
(1 640)	Broadridge Financial Solutions Inc.	(281)	(300)	
(1 523)	CarMax Inc.	(190)	(198)	
(3 150)	Carnival Corp.	(63)	(63)	
(341)	Carvana Co., Class A	(117)	(79)	
(735)	Catalent Inc.	(78)	(94)	
(1 714)	Centerpoint Energy Inc.	(45)	(48)	
(869)	Ceridian HCM Holding Inc.	(82)	(91)	
(9 306)	Clarivate Plc.	(212)	(219)	
(457)	Cloudflare Inc.	(69)	(60)	
(272)	Coupa Software Inc.	(76)	(43)	
(245)	D.R. Horton Inc.	(26)	(27)	
(103)	Etsy Inc.	(26)	(23)	
(1 446)	Exact Sciences Corp.	(129)	(113)	
(1 175)	Fiserv Inc.	(122)	(122)	
(137)	Horizon Therapeutics Plc.	(15)	(15)	
(5 714)	Hormel Foods Corp.	(246)	(279)	
(8 709)	Huntington Bancshares	(130)	(134)	
(516)	illumina Inc.	(204)	(196)	
(74)	Insulet Corp.	(20)	(20)	
(2 530)	International Flavors & Fragrances Inc.	(367)	(381)	
(851)	Jazz Pharmaceuticals Plc.	(118)	(108)	
(3 567)	Las Vegas Sands Corp.	(179)	(134)	
(198)	Leidos Holdings Inc.	(20)	(18)	

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



December 31, 2021

Holdings	Security	Cost	Fair Value	% of Net Assets
<b>United States (cont.)</b>				
(2 758)	Marvell Technology Inc.	\$ (150)	\$ (241)	
(105)	Match Group Inc.	(17)	(14)	
(3 203)	Norwegian Cruise Line Holdings Ltd.	(63)	(66)	
(1 334)	Oak Street Health Inc.	(70)	(44)	
(5 915)	Peloton Interactive Inc.	(476)	(212)	
(1 058)	Plug Power Inc.	(34)	(30)	
(446)	Royal Caribbean Cruises Ltd.	(34)	(34)	
(404)	Salesforce.com Inc.	(106)	(103)	
(789)	Skyworks Solutions Inc.	(126)	(122)	
(257)	SolarEdge Technologies Inc.	(78)	(72)	
(1 867)	STERIS Plc.	(413)	(454)	
(868)	Sun Communities Inc. Real Estate Investment Trust	(136)	(182)	
(3 510)	Sunrun Inc.	(198)	(120)	
(741)	Teladoc Health Inc.	(133)	(68)	
(505)	Teledyne Technologies Inc.	(227)	(221)	
(64)	The Nasdaq Stock Market Inc.	(12)	(13)	
(177)	The Walt Disney Company	(26)	(27)	
(380)	Twilio Inc., Class A	(110)	(100)	
(229)	Tyler Technologies Inc.	(109)	(123)	
(6 352)	Viatis Inc.	(91)	(86)	
(4 371)	Zillow Group Inc.	(327)	(279)	
		(7 022)	(6 739)	(37.2)
<b>TOTAL INVESTMENTS – SECURITIES SOLD SHORT</b>		(18 898)	(17 835)	(98.5)

Par Value (000s)	Security	Yield %	Maturity	Cost	Fair Value	% of Net Assets
<b>SHORT-TERM INVESTMENTS</b>						
300	United States Treasury Bills	0.030	06-Jan-2022	\$ 300	\$ 300	
11 290	United States Treasury Bills	0.041	17-Mar-2022	11 289	11 289	
<b>TOTAL SHORT-TERM INVESTMENTS</b>				11 589	11 589	64.0
<b>TOTAL INVESTMENTS</b>				\$ 9 527	11 993	66.2
<b>CASH</b>					6 128	33.8
<b>OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					(8)	–
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>					\$ 18 113	100.0





### Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2021	December 31 2020
<b>ASSETS</b>		
Investments at fair value	\$ 29 828	\$ 41 921
Cash	6 128	11 299
Due from investment dealers	–	3 094
Unrealized gain on foreign exchange contracts	–	3
Dividends receivable, interest accrued and other assets	21	40
<b>TOTAL ASSETS</b>	<b>35 977</b>	<b>56 357</b>
<b>LIABILITIES</b>		
Investments in securities sold short	17 835	25 889
Stock loan fee payable	12	21
Due to investment dealers	–	2 919
Redemptions payable	–	3 300
Unrealized loss on foreign exchange contracts	–	2
Dividends payable on short sales	14	12
Accounts payable and accrued expenses	3	4
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>17 864</b>	<b>32 147</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 18 113</b>	<b>\$ 24 210</b>
Investments at cost	\$ 9 527	\$ 16 855
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 193</b>	<b>\$ 172</b>
<b>SERIES F</b>	<b>\$ 2 301</b>	<b>\$ 1 927</b>
<b>SERIES O</b>	<b>\$ 15 619</b>	<b>\$ 22 111</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 7.86</b>	<b>\$ 6.99</b>
<b>SERIES F</b>	<b>\$ 8.56</b>	<b>\$ 7.52</b>
<b>SERIES O</b>	<b>\$ 8.91</b>	<b>\$ 7.74</b>

### 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
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 568	\$ 849
Dividends on short sales	(283)	(577)
Interest for distribution purposes	1	246
Income from investment trusts	(1)	(22)
Derivative income (loss)	(1)	(22)
Net realized gain (loss) on investments	(481)	(851)
Change in unrealized gain (loss) on investments	3 288	(1 147)
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>3 091</b>	<b>(1 524)</b>
Net gain (loss) on foreign cash balances	10	(6)
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>10</b>	<b>(6)</b>
<b>TOTAL INCOME (LOSS)</b>	<b>3 101</b>	<b>(1 530)</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	25	27
Administration fees	3	7
GST/HST	3	4
Transaction costs	65	165
Withholding tax	110	129
Stock loan fee	153	296
Interest on bank overdraft	49	189
<b>TOTAL EXPENSES</b>	<b>408</b>	<b>817</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 2 693</b>	<b>\$ (2 347)</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 21</b>	<b>\$ (21)</b>
<b>SERIES F</b>	<b>\$ 276</b>	<b>\$ (166)</b>
<b>SERIES O</b>	<b>\$ 2 396</b>	<b>\$ (2 160)</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.87</b>	<b>\$ (0.69)</b>
<b>SERIES F</b>	<b>\$ 1.04</b>	<b>\$ (0.59)</b>
<b>SERIES O</b>	<b>\$ 1.08</b>	<b>\$ (0.49)</b>



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

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 2 693	\$ (2 347)
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	–	–
Non-cash dividends	(96)	–
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	481	851
Change in unrealized loss (gain) on investments	(3 288)	1 147
(Increase) decrease in accrued receivables	33	99
Increase (decrease) in accrued payables	(22)	(52)
(Increase) decrease in margin accounts	–	–
Cost of investments purchased*	(123 709)	(247 966)
Proceeds from sale and maturity of investments*	130 827	261 310
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>6 919</b>	<b>13 042</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units*	4 115	4 288
Cash paid on redemption of redeemable units*	(16 205)	(33 751)
Distributions paid to holders of redeemable units	–	–
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ (12 090)</b>	<b>\$ (29 463)</b>
Net increase (decrease) in cash for the period	(5 171)	(16 421)
Cash (bank overdraft), beginning of period	11 299	27 720
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 6 128</b>	<b>\$ 11 299</b>
Interest received (paid) <sup>†</sup>	\$ 4	\$ 320
Income from investment trusts received (paid) <sup>†‡</sup>	\$ (4)	\$ (23)
Dividends received (paid) <sup>†‡</sup>	\$ 100	\$ 156

\* Excludes in-kind transactions.

<sup>†</sup> Classified as part of operating activities.

<sup>‡</sup> 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 O		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 172	\$ 240	\$ 1 927	\$ 4 516	\$ 22 111	\$ 54 504	\$ 24 210	\$ 59 260
<b>INCREASE (DECREASE) IN NAV</b>	<b>21</b>	<b>(21)</b>	<b>276</b>	<b>(166)</b>	<b>2 396</b>	<b>(2 160)</b>	<b>2 693</b>	<b>(2 347)</b>
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	–	–	155	68	3 960	4 220	4 115	4 288
Reinvestments of distributions to holders of redeemable units	–	2	–	29	–	607	–	638
Redemption of redeemable units	–	(47)	(57)	(2 491)	(12 848)	(34 453)	(12 905)	(36 991)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>–</b>	<b>(45)</b>	<b>98</b>	<b>(2 394)</b>	<b>(8 888)</b>	<b>(29 626)</b>	<b>(8 790)</b>	<b>(32 065)</b>
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	(2)	–	(29)	–	(607)	–	(638)
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>(29)</b>	<b>–</b>	<b>(607)</b>	<b>–</b>	<b>(638)</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>21</b>	<b>(68)</b>	<b>374</b>	<b>(2 589)</b>	<b>(6 492)</b>	<b>(32 393)</b>	<b>(6 097)</b>	<b>(35 050)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 193</b>	<b>\$ 172</b>	<b>\$ 2 301</b>	<b>\$ 1 927</b>	<b>\$ 15 619</b>	<b>\$ 22 111</b>	<b>\$ 18 113</b>	<b>\$ 24 210</b>



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 securities of issuers listed on global equity markets which are expected to outperform comparable securities, while selling short an equivalent dollar amount of global equity securities which are expected to underperform.

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

#### Concentration risk (%)

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

Investment mix	December 31 2021	December 31 2020
Sweden	5.2	0.9
Australia	5.0	–
Norway	4.0	(0.3)
Netherlands	3.8	(1.8)
Hong Kong	2.0	(0.4)
Italy	1.9	1.3
Brazil	1.7	3.3
South Korea	1.7	1.5
Israel	1.3	–
Denmark	1.3	5.3
United States	0.8	(2.1)
Poland	0.4	0.2
South Africa	0.4	2.3
China	0.4	(0.3)
Finland	0.3	3.3
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	(2.5)	(0.1)
Switzerland	(2.5)	6.1
France	(2.8)	(6.0)
Belgium	(3.0)	(2.3)
Japan	(3.6)	(5.1)
Germany	(4.5)	–
United Kingdom	(4.8)	(3.0)
Singapore	(5.0)	(2.7)
Cash/Other	97.8	100.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### 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 (USD)	+ or - <b>-0.5</b>	+ or - <b>-0.5</b>

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 (USD000s 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
<b>Equities – long</b>	<b>8 022</b>	<b>10 217</b>	–	<b>18 239</b>
<b>Equities – short</b>	<b>(8 694)</b>	<b>(9 141)</b>	–	<b>(17 835)</b>
<b>Underlying funds – long</b>	–	–	–	–
<b>Underlying funds – short</b>	–	–	–	–
<b>Fixed-income and debt securities – long</b>	–	–	–	–
<b>Fixed-income and debt securities – short</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>11 589</b>	–	<b>11 589</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>(672)</b>	<b>12 665</b>	–	<b>11 993</b>
<b>% of total portfolio</b>	<b>(5.6)</b>	<b>105.6</b>	–	<b>100.0</b>

December 31, 2020	Level 1	Level 2	Level 3	Total
Equities – long	12 426	13 348	–	25 774
Equities – short	(13 559)	(12 330)	–	(25 889)
Underlying funds – long	–	–	–	–
Underlying funds – short	–	–	–	–
Fixed-income and debt securities – long	–	–	–	–
Fixed-income and debt securities – short	–	–	–	–
Short-term investments	–	16 147	–	16 147
Derivatives – assets	–	3	–	3
Derivatives – liabilities	–	(2)	–	(2)
<b>Total financial instruments</b>	<b>(1 133)</b>	<b>17 166</b>	–	<b>16 033</b>
<b>% of total portfolio</b>	<b>(7.1)</b>	<b>107.1</b>	–	<b>100.0</b>



December 31, 2021

For the period ended December 31, 2021, there were transfers of \$4 of financial instruments into Level 1 from Level 2. The securities transferred into Level 1 relate to the exchange of restricted-trading, discount-priced securities for listed, actively traded equity positions. For the period ended December 31, 2020, there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

### Custodian

Credit Suisse Securities (U.S.A.) LLC and The Bank of Nova Scotia are the custodians of the Fund, hold the assets of the Fund and earn a fee as the custodians, which is paid by the manager from the fixed administration fee paid by the Fund.

### 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 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 (USD000s 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
<b>Units held</b>		
Series A	56	56
Series F	61	61
Series O	63	63
<b>Value of all units</b>	<b>2</b>	<b>1</b>

### Taxes (CAD000s) (see note 6 in the generic notes)

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

The non-capital and capital losses for the Fund were approximately:

As at December 31, 2021	
Capital losses	5 487
Non-capital losses	25 643
Non-capital losses expire in:	
2041	3 453
2040	3 538
2039	18 652

### 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
<b>Series A</b>		
Opening units	25	31
Issued number of units	–	1
Reinvested number of units	–	–
Redeemed number of units	–	(7)
<b>Ending number of units</b>	<b>25</b>	<b>25</b>
<b>Series F</b>		
Opening units	256	545
Issued number of units	20	8
Reinvested number of units	–	4
Redeemed number of units	(7)	(301)
<b>Ending number of units</b>	<b>269</b>	<b>256</b>
<b>Series O</b>		
Opening units	2 856	6 447
Issued number of units	464	509
Reinvested number of units	–	73
Redeemed number of units	(1 565)	(4 173)
<b>Ending number of units</b>	<b>1 755</b>	<b>2 856</b>



December 31, 2021

### Transaction costs (USD000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2021		December 31 2020	
	\$	%	\$	%
Total transaction costs	65	100	165	100
Related-party brokerage commissions*	–	–	–	–
Commission arrangements†	–	–	–	–

\* See note 8 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as “soft dollars”) for research and/or order execution goods and services.

### 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 Alpha Plus U.S. Equity Fund	12.3	5.3
RBC QUBE Market Neutral World Equity Fund (CAD Hedged)	72.6	81.7
Total	84.9	87.0

### Offsetting financial assets and liabilities (USD000s) (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)	–	–
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	–	–
Related amounts not set-off	–	–
Collateral (received) pledged	–	–
Net amount	–	–

December 31, 2020	Assets	Liabilities
Gross amounts – assets (liabilities)	3	(2)
Amounts set-off in the Statements of Financial Position	–	–
Net amounts presented in the Statements of Financial Position	3	(2)
Related amounts not set-off	(2)	2
Collateral (received) pledged	–	–
Net amount	1	–

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

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 E, Series O, Series OL and Series P.

Series A, Series I, Series E, 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.

December 31, 2021

**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.

December 31, 2021

**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.

December 31, 2021

**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

December 31, 2021

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.

December 31, 2021

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



December 31, 2021

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 USD000s)

RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND

December 31, 2022

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>INVESTMENTS – LONG POSITIONS</b>				
<b>GLOBAL EQUITIES</b>				
<b>Australia</b>				
BHP Group Ltd.	2 567	64	80	
Cochlear Ltd.	1 392	172	192	
Dexus	15 416	79	81	
GPT Group	4 397	13	13	
Orica Ltd.	10 051	86	103	
Pilbara Minerals Ltd.	25 976	77	66	
Qantas Airways Ltd.	66 243	241	268	
Scentre Group	15 808	31	31	
Telstra Group Ltd.	18 571	51	50	
		814	884	<b>3.9</b>
<b>Belgium</b>				
Elia Group SA/NV	280	43	40	
		43	40	<b>0.2</b>
<b>Canada</b>				
ARC Resources Ltd.	11 600	151	156	
West Fraser Timber Co Ltd.	300	27	22	
		178	178	<b>0.8</b>
<b>China</b>				
360 DigiTech Inc. – ADR	5 066	75	103	
Alibaba Group Holding Ltd.	4 200	55	46	
BYD Co Ltd.	9 000	238	221	
China Resources Land Ltd.	4 000	17	18	
COSCO Shipping Holdings Co Ltd.	65 300	67	66	
Geely Automobile Holdings Ltd.	32 000	57	46	
Greentown China Holdings Ltd.	26 500	47	38	
Haidilao International Holding Ltd.	7 000	12	20	
JOYY Inc. – ADR	1 272	34	40	
Kanzhun Ltd. – ADR	3 025	68	62	
Kunlun Energy Co Ltd.	118 000	99	84	
Lenovo Group Ltd.	32 000	34	26	
NetEase Inc.	2 200	32	32	
Nongfu Spring Co Ltd.	11 800	64	66	
Pinduoduo Inc. – ADR	1 499	68	122	
Seazen Group Ltd.	50 000	21	18	
Trip.com Group Ltd. – ADR	533	13	18	
Vipshop Holdings Ltd. – ADR	9 325	118	127	
Weibo Corp. – ADR	1 443	29	28	
Yadea Group Holdings Ltd.	20 000	37	33	
		1 185	1 214	<b>5.4</b>
<b>Denmark</b>				
AP Moller – Maersk A/S	52	125	116	
Genmab A/S	346	157	146	
Novo Nordisk A/S	1 359	146	185	
Pandora A/S	1 049	104	74	
		532	521	<b>2.3</b>

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Finland</b>				
Elisa Oyj	710	38	38	
Kone Oyj	1 480	82	77	
Orion Oyj	3 883	202	213	
		322	328	<b>1.4</b>
<b>France</b>				
Aeroports de Paris	1 414	203	189	
Dassault Aviation SA	3 327	484	564	
Getlink SE	2 187	36	35	
Hermes International	124	156	192	
La Francaise des Jeux SAEM	496	21	20	
Safran SA	891	91	112	
Societe Generale SA	2 105	65	53	
Unibail-Rodamco-Westfield	1 923	92	101	
		1 148	1 266	<b>5.6</b>
<b>Germany</b>				
Carl Zeiss Meditec AG	429	48	54	
Commerzbank AG	4 196	30	39	
Deutsche Boerse AG	872	140	150	
Deutsche Lufthansa AG	17 889	116	147	
GEA Group AG	1 066	53	43	
HeidelbergCement AG	419	23	24	
Nemetschek SE	498	44	25	
Rational AG	69	53	41	
RWE AG	2 368	100	105	
Telefonica Deutschland Holding AG	50 236	123	123	
		730	751	<b>3.3</b>
<b>Hong Kong</b>				
Orient Overseas International Ltd.	1 500	29	27	
SITC International Holdings Co Ltd.	18 000	68	40	
Super Hi International Holding Ltd.	700	1	1	
		98	68	<b>0.3</b>
<b>Italy</b>				
UniCredit SpA	2 716	39	39	
		39	39	<b>0.2</b>
<b>Japan</b>				
Astellas Pharma Inc.	10 100	169	154	
Chugai Pharmaceutical Co Ltd.	14 400	403	367	
Daiichi Sankyo Co Ltd.	900	30	29	
Daito Trust Construction Co Ltd.	900	77	92	
Fast Retailing Co Ltd.	200	117	122	
Fuji Electric Co Ltd.	9 600	373	362	
Hitachi Ltd.	300	16	15	
Hoya Corp.	500	51	48	
Ibiden Co Ltd.	5 100	157	184	
Japan Exchange Group Inc.	1 100	16	16	
Kakaku.com Inc.	700	12	11	
KDDI Corp.	2 300	70	70	
Lawson Inc.	4 000	165	153	
Mitsubishi Corp.	12 200	378	396	
Mitsubishi Heavy Industries Ltd.	1 200	45	47	

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



December 31, 2022

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Japan (cont.)</b>				
Mitsui & Co Ltd.	1 100	27	32	
Mitsui OSK Lines Ltd.	700	18	17	
Nabtesco Corp.	6 200	165	157	
Nitto Denko Corp.	1 700	130	98	
Olympus Corp.	900	19	16	
Ono Pharmaceutical Co Ltd.	1 400	36	33	
Persol Holdings Co Ltd.	7 500	154	160	
Recruit Holdings Co Ltd.	5 100	199	160	
Sekisui Chemical Co Ltd.	12 400	172	173	
Shionogi & Co Ltd.	2 100	109	105	
Subaru Corp.	8 100	133	123	
USS Co Ltd.	8 400	153	133	
Yokogawa Electric Corp.	3 500	60	56	
		3 454	3 329	14.7
<b>Netherlands</b>				
Adyen NV	243	444	337	
ASML Holding NV	1 066	691	581	
EXOR NV	2 677	208	196	
OCI NV	8 229	314	294	
		1 657	1 408	6.2
<b>Norway</b>				
Aker BP ASA	5 781	212	180	
DNB Bank ASA	10 475	197	207	
Equinor ASA	10 973	380	394	
Norsk Hydro ASA	17 176	135	128	
Telenor ASA	9 897	121	92	
Yara International ASA	582	26	26	
		1 071	1 027	4.5
<b>Spain</b>				
Aena SME SA	247	33	31	
Industria de Diseno Textil SA	7 604	174	202	
		207	233	1.0
<b>Sweden</b>				
Atlas Copco AB	2 656	39	31	
Holmen AB	1 413	56	56	
Nordea Bank Abp	3 551	35	38	
Svenska Cellulosa AB SCA	2 721	37	34	
Tele2 AB	8 169	74	67	
Volvo Car AB	29 033	141	132	
		382	358	1.6
<b>Switzerland</b>				
Cie Financiere Richemont SA	138	19	18	
Geberit AG	228	119	108	
Julius Baer Group Ltd.	5 639	320	328	
Kuehne + Nagel International AG	1 529	387	355	
Roche Holding AG	313	119	98	
Schindler Holding AG	826	188	155	
UBS Group AG	5 825	118	108	
VAT Group AG	531	131	146	
		1 401	1 316	5.8
<b>United Kingdom</b>				
Hargreaves Lansdown PLC	2 596	47	27	
St James's Place PLC	31 640	551	417	
		598	444	2.0

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>United States</b>				
Airbnb Inc.	1 942	235	166	
Ameriprise Financial Inc.	1 562	443	486	
AmerisourceBergen Corp.	77	11	13	
Apple Inc.	3 876	602	504	
Autodesk Inc.	914	180	171	
Automatic Data Processing Inc.	1 448	367	346	
Booking Holdings Inc.	183	369	369	
Broadcom Inc.	102	60	57	
Cadence Design Systems Inc.	581	87	93	
Cardinal Health Inc.	4 763	369	366	
Centene Corp.	145	11	12	
CF Industries Holdings Inc.	2 178	182	186	
Cheniere Energy Inc.	130	22	19	
CrowdStrike Holdings Inc.	323	47	34	
Datadog Inc.	145	14	11	
DocuSign Inc.	3 877	176	215	
Dropbox Inc.	11 953	262	268	
Enphase Energy Inc.	139	43	37	
Etsy Inc.	839	110	100	
Expeditors International of Washington Inc.	5 723	635	595	
Fortinet Inc.	8 298	402	406	
Gartner Inc.	140	42	47	
GoDaddy Inc.	221	17	17	
Hilton Worldwide Holdings Inc.	1 067	147	135	
Hologic Inc.	2 123	133	159	
KLA Corp.	593	180	224	
Lockheed Martin Corp.	331	159	161	
Marathon Petroleum Corp.	3 028	266	352	
Marriott International Inc./MD	214	35	32	
Mastercard Inc.	430	154	150	
McKesson Corp.	256	83	96	
Mettler-Toledo International Inc.	75	95	108	
Microchip Technology Inc.	2 068	134	145	
Molina Healthcare Inc.	504	144	166	
Novavax Inc.	823	59	8	
Nucor Corp.	91	11	12	
NVR Inc.	42	179	194	
Palo Alto Networks Inc.	1 885	318	263	
Robert Half International Inc.	664	71	49	
ServiceNow Inc.	174	73	68	
Steel Dynamics Inc.	1 260	103	123	
Synopsys Inc.	123	42	39	
Teladoc Health Inc.	6 550	186	155	
Teradyne Inc.	1 747	129	153	
Tesla Inc.	477	119	59	
Trade Desk Inc.	465	26	21	
UnitedHealth Group Inc.	39	20	21	
Valero Energy Corp.	2 483	324	315	
Veeva Systems Inc.	310	70	50	
Vertex Pharmaceuticals Inc.	1 392	398	402	
Waters Corp.	312	110	107	
Zscaler Inc.	390	68	44	
		8 522	8 329	36.8
<b>TOTAL INVESTMENTS – LONG POSITIONS</b>		22 381	21 733	96.0

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



December 31, 2022

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>INVESTMENTS – SECURITIES SOLD SHORT</b>				
<b>GLOBAL EQUITIES</b>				
<b>Belgium</b>				
Argenx SE	(583)	(182)	(219)	
Groupe Bruxelles Lambert NV	(3 778)	(402)	(302)	
		(584)	(521)	(2.3)
<b>Canada</b>				
Agnico Eagle Mines Ltd.	(6 500)	(355)	(338)	
Canadian Pacific Railway Ltd.	(5 800)	(437)	(432)	
Rogers Communications Inc.	(5 200)	(260)	(243)	
		(1 052)	(1 013)	(4.5)
<b>China</b>				
H World Group Ltd. – ADR	(289)	(10)	(12)	
Legend Biotech Corp. – ADR	(1 096)	(49)	(55)	
ZTO Express Cayman Inc. – ADR	(2 294)	(59)	(62)	
		(118)	(129)	(0.6)
<b>Denmark</b>				
Coloplast A/S	(1 200)	(149)	(141)	
GN Store Nord AS	(3 401)	(93)	(79)	
Orsted AS	(864)	(90)	(78)	
Vestas Wind Systems A/S	(3 272)	(82)	(95)	
		(414)	(393)	(1.7)
<b>Finland</b>				
Neste Oyj	(4 895)	(240)	(226)	
UPM-Kymmene Oyj	(12 663)	(464)	(474)	
		(704)	(700)	(3.1)
<b>France</b>				
Cie Generale des Etablissements Michelin SCA	(13 564)	(352)	(378)	
Electricite de France SA	(5 676)	(55)	(73)	
Sartorius Stedim Biotech SEB SA	(210)	(73)	(68)	
Veolia Environnement SA	(1 063)	(86)	(89)	
Worldline SA/France	(1 937)	(42)	(50)	
		(1 509)	(59)	
		(734)	(717)	(3.2)
<b>Germany</b>				
Bechtle AG	(3 783)	(155)	(134)	
Continental AG	(2 819)	(148)	(168)	
Delivery Hero SE	(2 144)	(188)	(103)	
Fresenius Medical Care AG & Co KGaA	(4 258)	(136)	(139)	
Fresenius SE & Co KGaA	(2 043)	(52)	(57)	
SAP SE	(2 961)	(276)	(306)	
Vonovia SE	(4 233)	(207)	(100)	
Zalando SE	(1 185)	(48)	(42)	
		(1 210)	(1 049)	(4.6)
<b>Italy</b>				
DiaSorin SpA	(1 321)	(177)	(185)	
Enel SpA	(23 337)	(121)	(126)	
Nexi SpA	(45 939)	(436)	(363)	
		(734)	(674)	(3.0)
<b>Japan</b>				
Asahi Kasei Corp.	(4 200)	(27)	(30)	
Chubu Electric Power Co Inc.	(4 500)	(44)	(47)	
ENEOS Holdings Inc.	(176 100)	(638)	(600)	

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Japan (cont.)</b>				
Fujitsu Ltd.	(100)	(11)	(13)	
Iida Group Holdings Co Ltd.	(10 900)	(173)	(165)	
Japan Airlines Co Ltd.	(800)	(16)	(16)	
JFE Holdings Inc.	(7 000)	(68)	(81)	
Kubota Corp.	(24 000)	(416)	(328)	
Kyocera Corp.	(600)	(31)	(30)	
Lasertec Corp.	(800)	(122)	(131)	
Makita Corp.	(20 700)	(711)	(482)	
MINEBEA MITSUMI Inc.	(800)	(15)	(12)	
Nidec Corp.	(900)	(58)	(46)	
Nitori Holdings Co Ltd.	(300)	(34)	(39)	
NTT Data Corp.	(17 000)	(256)	(248)	
Omron Corp.	(1 200)	(58)	(58)	
Rakuten Group Inc.	(21 400)	(147)	(96)	
SBI Holdings Inc.	(2 500)	(48)	(48)	
Sumitomo Electric Industries Ltd.	(26 700)	(295)	(302)	
Sumitomo Metal Mining Co Ltd.	(400)	(14)	(14)	
Toyota Motor Corp.	(9 400)	(138)	(128)	
West Japan Railway Co	(5 200)	(227)	(226)	
		(3 547)	(3 140)	(13.9)
<b>Netherlands</b>				
AerCap Holdings NV	(2 050)	(100)	(120)	
Akzo Nobel NV	(6 496)	(464)	(436)	
Heineken NV	(439)	(42)	(41)	
Just Eat Takeaway.com NV	(1 114)	(63)	(24)	
Koninklijke Philips NV	(4 120)	(83)	(62)	
		(752)	(683)	(3.0)
<b>Singapore</b>				
DBS Group Holdings Ltd.	(8 200)	(189)	(208)	
Sea Ltd. – ADR	(3 759)	(279)	(196)	
Singapore Technologies Engineering Ltd.	(33 800)	(86)	(85)	
United Overseas Bank Ltd.	(7 200)	(132)	(165)	
UOL Group Ltd.	(13 600)	(73)	(68)	
Venture Corp.. Ltd.	(7 300)	(97)	(93)	
Wilmar International Ltd.	(95 700)	(286)	(298)	
		(1 142)	(1 113)	(4.9)
<b>Spain</b>				
Cellnex Telecom SA	(15 538)	(602)	(515)	
Endesa SA	(4 998)	(89)	(94)	
Grifols SA	(31 259)	(468)	(361)	
Repsol SA	(977)	(13)	(16)	
		(1 172)	(986)	(4.4)
<b>Sweden</b>				
EQT AB	(7 880)	(217)	(167)	
Hexagon AB	(26 026)	(275)	(273)	
Husqvarna AB	(39 853)	(268)	(280)	
Investor AB	(982)	(17)	(18)	
Sandvik AB	(19 426)	(383)	(351)	
SKF AB – Class S Shares	(5 035)	(76)	(77)	
		(1 236)	(1 166)	(5.2)
<b>Switzerland</b>				
Adecco Group AG	(1 398)	(51)	(46)	
Bachem Holding AG	(1 813)	(125)	(157)	
		(176)	(203)	(0.9)

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





December 31, 2022

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets		Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>United Kingdom</b>					<b>United States (cont.)</b>				
3i Group PLC	(10 445)	(169)	(168)		Gen Digital Inc.	(5 332)	(123)	(114)	
AstraZeneca PLC	(1 184)	(129)	(160)		Generac Holdings Inc.	(468)	(50)	(47)	
Berkeley Group Holdings PLC	(2 272)	(102)	(104)		Global Payments Inc.	(294)	(29)	(29)	
Halma PLC	(1 005)	(27)	(24)		Hess Corp.	(1 024)	(130)	(145)	
Hikma Pharmaceuticals PLC	(1 076)	(19)	(20)		IAC Inc.	(1 096)	(78)	(49)	
Ocado Group PLC	(5 269)	(79)	(39)		Intel Corp.	(19 635)	(584)	(519)	
Shell PLC	(1 864)	(53)	(53)		Intuit Inc.	(733)	(307)	(285)	
Smith & Nephew PLC	(2 346)	(48)	(31)		KKR & Co Inc.	(2 812)	(145)	(131)	
		(626)	(599)	(2.6)	Lululemon Athletica Inc.	(166)	(54)	(53)	
<b>United States</b>					M&T Bank Corp.	(1 203)	(208)	(175)	
Affirm Holdings Inc.	(4 637)	(121)	(45)		Masimo Corp.	(261)	(38)	(39)	
Amazon.com Inc.	(2 399)	(253)	(202)		Medtronic PLC	(678)	(54)	(53)	
Apollo Global Management Inc.	(345)	(20)	(22)		Northern Trust Corp.	(1 393)	(130)	(123)	
Aspen Technology Inc.	(382)	(83)	(78)		Norwegian Cruise Line Holdings Ltd.	(3 432)	(61)	(42)	
Avantor Inc.	(3 789)	(113)	(80)		Oracle Corp.	(1 296)	(87)	(106)	
Baxter International Inc.	(11 373)	(700)	(580)		Pool Corp.	(537)	(202)	(162)	
Bentley Systems Inc.	(294)	(10)	(11)		Raytheon Technologies Corp.	(419)	(42)	(42)	
Black Knight Inc.	(1 387)	(88)	(86)		Realty Income Corp.	(8 984)	(596)	(570)	
Block Inc.	(1 777)	(127)	(112)		ROBLOX Corp.	(608)	(20)	(17)	
Boston Scientific Corp.	(1 289)	(61)	(60)		Royal Caribbean Cruises Ltd.	(2 458)	(143)	(121)	
Brown & Brown Inc.	(340)	(20)	(19)		S&P Global Inc.	(2 063)	(703)	(691)	
CarMax Inc.	(1 937)	(212)	(118)		Seagen Inc.	(111)	(19)	(14)	
Carnival Corp.	(11 923)	(218)	(96)		Southwest Airlines Co	(311)	(12)	(10)	
Catalent Inc.	(7 085)	(376)	(319)		Stanley Black & Decker Inc.	(5 811)	(603)	(437)	
Cincinnati Financial Corp.	(805)	(85)	(82)		Take-Two Interactive Software Inc.	(3 378)	(422)	(352)	
Dollar Tree Inc.	(292)	(44)	(41)		Thermo Fisher Scientific Inc.	(665)	(355)	(365)	
Dominion Energy Inc.	(6 639)	(399)	(407)		TransUnion	(7 587)	(552)	(431)	
DoorDash Inc.	(808)	(50)	(39)		Twilio Inc.	(1 186)	(59)	(58)	
DR Horton Inc.	(134)	(10)	(12)		Tyler Technologies Inc.	(65)	(29)	(21)	
Emerson Electric Co	(3 143)	(284)	(302)		Unity Software Inc.	(2 851)	(186)	(82)	
Entegris Inc.	(3 814)	(293)	(250)		VF Corp.	(436)	(15)	(12)	
Equifax Inc.	(550)	(107)	(107)		Warner Bros Discovery Inc.	(10 276)	(133)	(97)	
Fidelity National Information Services Inc.	(3 293)	(232)	(223)				(10 112)	(8 716)	(38.5)
First Citizens BancShares Inc./NC	(43)	(37)	(33)		<b>TOTAL INVESTMENTS –</b>				
					<b>SECURITIES SOLD SHORT</b>		(24 313)	(21 802)	(96.4)

	Par Value (000s)	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>SHORT-TERM INVESTMENTS</b>				
United States Treasury Bill 4.050% Jan 17, 2023	13 000	12 978	12 978	
United States Treasury Bill 4.080% Feb 21, 2023	800	795	795	
United States Treasury Bill 4.171% Mar 09, 2023	8 100	8 038	8 038	
United States Treasury Bill 4.557% May 18, 2023	340	334	334	
<b>TOTAL SHORT-TERM INVESTMENTS</b>		22 145	22 145	97.9
<b>TOTAL INVESTMENTS</b>		20 213	22 076	97.5
<b>OTHER NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			555	2.5
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			22 631	100.0



**Statements of Financial Position**

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2022	December 31 2021
<b>ASSETS</b>		
Investments at fair value	\$ 43 878	\$ 29 828
Cash	573	6 128
Dividends receivable, interest accrued and other assets	18	21
<b>TOTAL ASSETS</b>	<b>44 469</b>	<b>35 977</b>
<b>LIABILITIES</b>		
Investments in securities sold short	21 802	17 835
Stock loan fee payable	11	12
Dividends payable on short sales	17	14
Accounts payable and accrued expenses	8	3
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>21 838</b>	<b>17 864</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS ("NAV")</b>	<b>\$ 22 631</b>	<b>\$ 18 113</b>
Investments at cost	\$ 20 213	\$ 9 527
<b>NAV</b>		
<b>SERIES A</b>	<b>\$ 214</b>	<b>\$ 193</b>
<b>SERIES F</b>	<b>\$ 1 679</b>	<b>\$ 2 301</b>
<b>SERIES O</b>	<b>\$ 20 738</b>	<b>\$ 15 619</b>
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 8.69</b>	<b>\$ 7.86</b>
<b>SERIES F</b>	<b>\$ 9.56</b>	<b>\$ 8.56</b>
<b>SERIES O</b>	<b>\$ 10.05</b>	<b>\$ 8.91</b>

**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
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 551	\$ 568
Dividends on short sales	(375)	(283)
Interest for distribution purposes	320	1
Income from investment trusts	30	(1)
Derivative income (loss)	8	(1)
Net realized gain (loss) on investments	2 960	(481)
Change in unrealized gain (loss) on investments	(603)	3 288
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>2 891</b>	<b>3 091</b>
Other income (loss)	30	-
Net gain (loss) on foreign cash balances	(58)	10
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>(28)</b>	<b>10</b>
<b>TOTAL INCOME (LOSS)</b>	<b>2 863</b>	<b>3 101</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	26	25
Administration fees	4	3
GST/HST	3	3
Transaction costs	70	65
Withholding tax	92	110
Stock loan fee	85	153
Interest on bank overdraft	50	49
<b>TOTAL EXPENSES</b>	<b>330</b>	<b>408</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 2 533</b>	<b>\$ 2 693</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	<b>\$ 21</b>	<b>\$ 21</b>
<b>SERIES F</b>	<b>\$ 246</b>	<b>\$ 276</b>
<b>SERIES O</b>	<b>\$ 2 266</b>	<b>\$ 2 396</b>
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	<b>\$ 0.84</b>	<b>\$ 0.87</b>
<b>SERIES F</b>	<b>\$ 1.01</b>	<b>\$ 1.04</b>
<b>SERIES O</b>	<b>\$ 1.15</b>	<b>\$ 1.08</b>



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

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

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 2 533	\$ 2 693
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Interest for distribution purposes	(299)	–
Non-cash dividends	(25)	(96)
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(2 960)	481
Change in unrealized loss (gain) on investments	603	(3 288)
(Increase) decrease in accrued receivables	(11)	33
Increase (decrease) in accrued payables	4	(22)
(Increase) decrease in margin accounts	–	–
Cost of investments purchased*	(195 178)	(123 709)
Proceeds from sale and maturity of investments*	187 793	130 827
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(7 540)</b>	<b>6 919</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units*	5 521	4 115
Cash paid on redemption of redeemable units*	(3 536)	(16 205)
Distributions paid to holders of redeemable units	–	–
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>\$ 1 985</b>	<b>\$ (12 090)</b>
Net increase (decrease) in cash for the period	(5 555)	(5 171)
Cash (bank overdraft), beginning of period	6 128	11 299
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 573</b>	<b>\$ 6 128</b>
Interest received (paid) <sup>†</sup>	\$ 21	\$ 4
Income from investment trusts received (paid) <sup>††</sup>	\$ 25	\$ (4)
Dividends received (paid) <sup>†‡</sup>	\$ 339	\$ 100

\* Excludes in-kind transactions.

<sup>†</sup> Classified as part of operating activities.

<sup>‡</sup> 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 O		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 193	\$ 172	\$ 2 301	\$ 1 927	\$ 15 619	\$ 22 111	\$ 18 113	\$ 24 210
<b>INCREASE (DECREASE) IN NAV</b>	<b>21</b>	<b>21</b>	<b>246</b>	<b>276</b>	<b>2 266</b>	<b>2 396</b>	<b>2 533</b>	<b>2 693</b>
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	–	–	<b>262</b>	155	<b>5 259</b>	3 960	<b>5 521</b>	4 115
Reinvestments of distributions to holders of redeemable units	–	–	–	–	–	–	–	–
Redemption of redeemable units	–	–	<b>(1 130)</b>	(57)	<b>(2 406)</b>	(12 848)	<b>(3 536)</b>	(12 905)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>–</b>	<b>–</b>	<b>(868)</b>	<b>98</b>	<b>2 853</b>	<b>(8 888)</b>	<b>1 985</b>	<b>(8 790)</b>
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>21</b>	<b>21</b>	<b>(622)</b>	<b>374</b>	<b>5 119</b>	<b>(6 492)</b>	<b>4 518</b>	<b>(6 097)</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 214</b>	<b>\$ 193</b>	<b>\$ 1 679</b>	<b>\$ 2 301</b>	<b>\$ 20 738</b>	<b>\$ 15 619</b>	<b>\$ 22 631</b>	<b>\$ 18 113</b>



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 securities of issuers listed on global equity markets which are expected to outperform comparable securities, while selling short an equivalent dollar amount of global equity securities which are expected to underperform.

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

#### 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	(2.5)
China	4.8	0.4
Norway	4.5	4.0
Australia	3.9	5.0
Netherlands	3.2	3.8
France	2.4	(2.8)
Japan	0.8	(3.6)
Denmark	0.6	1.3
Hong Kong	0.3	2.0
Argentina	–	(0.1)
Austria	–	0.2
Brazil	–	1.7
Czech Republic	–	0.1
Israel	–	1.3
Mexico	–	0.2
Poland	–	0.4
South Africa	–	0.4
South Korea	–	1.7
United Kingdom	(0.6)	(4.8)
Germany	(1.3)	(4.5)
Finland	(1.7)	0.3
United States	(1.7)	0.8
Belgium	(2.1)	(3.0)
Italy	(2.8)	1.9
Spain	(3.4)	0.3
Sweden	(3.6)	5.2
Canada	(3.7)	(2.5)
Singapore	(4.9)	(5.0)
Cash/Other	100.4	97.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### 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 (USD)	+ or - <b>-0.3</b>	+ or - <b>-0.5</b>

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 (USD000s 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
<b>Equities – long</b>	<b>9 007</b>	<b>12 726</b>	<b>–</b>	<b>21 733</b>
<b>Equities – short</b>	<b>(10 054)</b>	<b>(11 748)</b>	<b>–</b>	<b>(21 802)</b>
<b>Underlying funds – long</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Underlying funds – short</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Fixed-income and debt securities – long</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Fixed-income and debt securities – short</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Short-term investments</b>	<b>–</b>	<b>22 145</b>	<b>–</b>	<b>22 145</b>
<b>Derivatives – assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Derivatives – liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total financial instruments</b>	<b>(1 047)</b>	<b>23 123</b>	<b>–</b>	<b>22 076</b>
<b>% of total portfolio</b>	<b>(4.7)</b>	<b>104.7</b>	<b>–</b>	<b>100.0</b>

December 31, 2021	Level 1	Level 2	Level 3	Total
<b>Equities – long</b>	<b>8 022</b>	<b>10 217</b>	<b>–</b>	<b>18 239</b>
<b>Equities – short</b>	<b>(8 694)</b>	<b>(9 141)</b>	<b>–</b>	<b>(17 835)</b>
<b>Underlying funds – long</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Underlying funds – short</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Fixed-income and debt securities – long</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Fixed-income and debt securities – short</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Short-term investments</b>	<b>–</b>	<b>11 589</b>	<b>–</b>	<b>11 589</b>
<b>Derivatives – assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Derivatives – liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total financial instruments</b>	<b>(672)</b>	<b>12 665</b>	<b>–</b>	<b>11 993</b>
<b>% of total portfolio</b>	<b>(5.6)</b>	<b>105.6</b>	<b>–</b>	<b>100.0</b>

For the period ended December 31, 2022, there were no transfers of financial instruments between Level 1, Level 2 and Level 3. For the period ended December 31, 2021, there were transfers of \$4 of financial instruments into Level 1 from Level 2.



December 31, 2022

## Custodian

The Bank of Nova Scotia is the custodian of the Fund, holds the assets of the Fund and earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

## 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 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 (USD000s 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
<b>Units held</b>		
Series A	56	56
Series F	61	61
Series O	63	63
<b>Value of all units</b>	<b>2</b>	<b>2</b>

## Taxes (CAD000s) (see note 6 in the generic notes)

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

The non-capital and capital losses for the Fund were approximately:

As at December 31, 2022	
Capital losses	4 217
Non-capital losses	20 424
Non-capital losses expire in:	
2041	3 453
2040	3 538
2039	13 433

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

## 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
<b>Series A</b>		
Opening units	25	25
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	<b>25</b>	<b>25</b>
<b>Series F</b>		
Opening units	269	256
Issued number of units	31	20
Reinvested number of units	–	–
Redeemed number of units	(124)	(7)
Ending number of units	<b>176</b>	<b>269</b>
<b>Series O</b>		
Opening units	1 755	2 856
Issued number of units	561	464
Reinvested number of units	–	–
Redeemed number of units	(253)	(1 565)
Ending number of units	<b>2 063</b>	<b>1 755</b>

## Transaction costs (USD000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2022		December 31 2021	
	\$	%	\$	%
Total transaction costs	70	100	65	100
Related-party brokerage commissions*	–	–	–	–
Commission arrangements <sup>†</sup>	–	–	–	–

\* See note 8 in the generic notes.

<sup>†</sup> Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as “soft dollars”) for research and/or order execution goods and services.

## 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 Alpha Plus U.S. Equity Fund	9.8	12.3
RBC QUBE Market Neutral World Equity Fund (CAD Hedged)	80.7	72.6
<b>Total</b>	<b>90.5</b>	<b>84.9</b>

## 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 E, Series O, Series OL and Series P.

Series A, Series I, Series E, 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.

December 31, 2022

*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.

December 31, 2022

**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.

December 31, 2022

**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



December 31, 2022

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.

December 31, 2022

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



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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 7, 2024



SCHEDULE OF INVESTMENT PORTFOLIO (in USD000s)  
**RBC QUBE MARKET NEUTRAL WORLD EQUITY FUND**

December 31, 2023

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>INVESTMENTS – LONG POSITIONS</b>				
<b>GLOBAL EQUITIES</b>				
<b>Australia</b>				
Pilbara Minerals Ltd.	138 320	374	371	
		374	371	<b>1.4</b>
<b>Belgium</b>				
Syensqo S.A.	77	7	8	
		7	8	<b>–</b>
<b>Canada</b>				
Air Canada	27 900	442	394	
Constellation Software Inc. @0.00				
Mar 31, 2040 – Equity Warrant	100	–	–	
Manulife Financial Corp.	2 200	46	49	
Shopify Inc.	6 400	458	498	
		946	941	<b>3.7</b>
<b>China</b>				
Haidilao International Holding Ltd.	138 000	317	257	
Li Auto Inc. Class A	32 700	575	613	
Nongfu Spring Co. Ltd. Class H	70 600	398	409	
PDD Holdings Inc. – ADR	504	40	74	
Vipshop Holdings Ltd. – ADR	8 754	127	155	
Yadea Group Holdings Ltd.	12 000	22	21	
		1 479	1 529	<b>6.0</b>
<b>Denmark</b>				
Genmab A/S	1 272	516	406	
Novo Nordisk A/S Class B	4 127	320	428	
Pandora A/S	97	13	13	
		849	847	<b>3.3</b>
<b>Finland</b>				
Wartsila OYJ Abp	38 746	501	564	
		501	564	<b>2.2</b>
<b>France</b>				
Dassault Aviation S.A.	2 166	327	429	
		327	429	<b>1.7</b>
<b>Germany</b>				
E.ON SE	5 490	68	74	
Nemetschek SE	1 017	84	88	
		152	162	<b>0.6</b>
<b>Italy</b>				
Ferrari N.V.	401	114	135	
Intesa Sanpaolo S.p.A.	67 438	197	197	
Prysmian S.p.A.	10 612	408	484	
Stellantis N.V.	2 361	54	55	
Terna – Rete Elettrica Nazionale	12 962	100	108	
UniCredit S.p.A.	25 937	616	706	
		1 489	1 685	<b>6.6</b>

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Japan</b>				
ANA Holdings Inc.	3 100	67	67	
BayCurrent Consulting Inc.	1 800	57	63	
Disco Corp.	500	82	123	
Inpex Corp.	8 500	122	114	
Japan Airlines Co. Ltd.	19 000	405	373	
Lasertec Corp.	200	47	53	
Lawson Inc.	8 900	387	459	
Makita Corp.	23 100	616	635	
Mazda Motor Corp.	41 000	426	438	
Nitto Denko Corp.	300	22	22	
Oracle Corp. Japan	1 900	146	146	
Renesas Electronics Corp.	1 500	25	27	
Shionogi & Co. Ltd.	6 900	332	332	
Subaru Corp.	15 700	286	286	
Toyota Tsusho Corp.	3 000	164	176	
Trend Micro Inc.	600	33	32	
ZOZO Inc.	3 800	86	86	
		3 303	3 432	<b>13.4</b>
<b>Norway</b>				
Aker BP ASA	12 368	352	359	
Equinor ASA	7 870	254	249	
Yara International ASA	21 936	764	779	
		1 370	1 387	<b>5.4</b>
<b>Spain</b>				
ACS Actividades de Construccion y Servicios S.A.	12 885	421	572	
Banco Bilbao Vizcaya Argentaria S.A.	100 227	908	913	
Industria de Diseno Textil S.A.	6 950	218	303	
Naturgy Energy Group S.A.	722	20	22	
		1 567	1 810	<b>7.0</b>
<b>Sweden</b>				
Essity AB Class B	976	25	24	
		25	24	<b>0.1</b>
<b>Switzerland</b>				
Kuehne + Nagel International AG Class R	2 641	733	911	
Novartis AG	2 604	247	263	
Roche Holding AG	427	131	124	
Temenos AG	286	25	27	
		1 136	1 325	<b>5.2</b>
<b>United Kingdom</b>				
Aviva Plc.	170 393	923	943	
Centrica Plc.	339 807	579	609	
Lloyds Banking Group Plc.	1 422 455	820	863	
Rolls-Royce Holdings Plc.	97 650	180	372	
Wise Plc.	2 232	22	25	
		2 524	2 812	<b>11.0</b>



December 31, 2023

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>United States</b>				
AbbVie Inc.	252	36	39	
Adobe Inc.	66	41	39	
Ameriprise Financial Inc.	1 055	304	401	
Applied Materials Inc.	4 547	653	737	
Atlassian Corp. Class A	1 476	227	351	
Booking Holdings Inc.	181	426	642	
Builders FirstSource Inc.	538	80	90	
Bunge Global S.A.	1 382	146	140	
Capital One Financial Corp.	6 653	800	872	
CH Robinson Worldwide Inc.	3 849	365	333	
Clorox Co.	4 456	680	635	
Coinbase Global Inc. Class A	470	44	82	
CrowdStrike Holdings Inc. Class A	469	88	120	
DocuSign Inc.	9 444	526	561	
DoorDash Inc. Class A	153	15	15	
Expedia Group Inc.	1 492	214	226	
Expeditors International of Washington Inc.	2 204	243	280	
Kimberly-Clark Corp.	433	53	53	
KLA Corp.	944	377	549	
Lam Research Corp.	129	88	101	
Manhattan Associates Inc.	3 531	797	760	
MercadoLibre Inc.	324	442	509	
NetApp Inc.	2 677	240	236	
NVIDIA Corp.	1 453	662	720	
Palantir Technologies Inc. Class A	1 351	24	23	
Palo Alto Networks Inc.	1 226	212	362	
QUALCOMM Inc.	2 807	360	406	
Vistra Corp.	19 127	659	737	
Zscaler Inc.	181	36	40	
		8 838	10 059	39.2
<b>TOTAL INVESTMENTS – LONG POSITIONS</b>		24 887	27 385	106.8
<b>INVESTMENTS – SECURITIES SOLD SHORT</b>				
<b>GLOBAL EQUITIES</b>				
<b>Belgium</b>				
Argenx SE	(775)	(294)	(295)	
D'iereeren Group	(2 884)	(514)	(564)	
		(808)	(859)	(3.3)
<b>Canada</b>				
Canadian Pacific Kansas City Ltd.	(3 200)	(232)	(253)	
Pan American Silver Corp.	(3 300)	(52)	(54)	
Toronto-Dominion Bank	(15 400)	(918)	(995)	
		(1 202)	(1 302)	(5.1)
<b>China</b>				
Daqo New Energy Corp. – ADR	(2 684)	(73)	(71)	
H World Group Ltd. – ADR	(743)	(26)	(25)	
JOYY Inc. – ADR	(2 760)	(104)	(110)	
Legend Biotech Corp. – ADR	(1 160)	(61)	(70)	
NIO Inc. – ADR	(25 974)	(296)	(236)	
ZTO Express Cayman Inc. – ADR	(14 454)	(384)	(308)	
		(944)	(820)	(3.2)
<b>Denmark</b>				
Coloplast A/S Class B	(4 574)	(484)	(523)	
		(484)	(523)	(2.0)

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Finland</b>				
Nokia Oyj	(36 688)	(113)	(125)	
Stora Enso Oyj Class R	(1 749)	(22)	(24)	
		(135)	(149)	(0.6)
<b>France</b>				
Capgemini SE	(594)	(102)	(124)	
Kering S.A.	(731)	(317)	(324)	
Remy Cointreau S.A.	(922)	(103)	(118)	
Sartorius Stedim Biotech	(836)	(256)	(222)	
		(778)	(788)	(3.1)
<b>Germany</b>				
Allianz SE	(1 107)	(273)	(296)	
Bayer AG	(5 174)	(214)	(192)	
Hannover Rueck SE	(171)	(38)	(41)	
Mercedes-Benz Group AG	(1 442)	(95)	(99)	
Merck KGaA	(940)	(143)	(150)	
Rheinmetall AG	(195)	(60)	(62)	
Sartorius AG – Preferred Shares	(1 482)	(454)	(544)	
		(1 277)	(1 384)	(5.4)
<b>Italy</b>				
Davide Campari-Milano N.V. – Class M Shares	(37 933)	(489)	(428)	
		(489)	(428)	(1.7)
<b>Japan</b>				
Advantest Corp.	(5 500)	(165)	(185)	
East Japan Railway Co.	(1 300)	(67)	(75)	
Ibiden Co. Ltd.	(5 400)	(259)	(298)	
Idemitsu Kosan Co. Ltd.	(10 000)	(54)	(54)	
Iida Group Holdings Co. Ltd.	(16 000)	(255)	(239)	
Kajima Corp.	(1 400)	(23)	(23)	
Keio Corp.	(7 800)	(253)	(245)	
Kubota Corp.	(3 400)	(55)	(51)	
Nitori Holdings Co. Ltd.	(1 700)	(206)	(228)	
NTT Data Group Corp.	(56 200)	(734)	(794)	
Oji Holdings Corp.	(17 800)	(70)	(68)	
Osaka Gas Co. Ltd.	(4 400)	(73)	(92)	
Rohm Co. Ltd.	(10 100)	(191)	(193)	
Sumitomo Chemical Co. Ltd.	(7 800)	(18)	(19)	
Sumitomo Mitsui Financial Group Inc.	(15 600)	(776)	(759)	
Tosoh Corp.	(3 400)	(46)	(43)	
Yamaha Corp.	(9 100)	(251)	(210)	
Yamaha Motor Co. Ltd.	(3 000)	(25)	(27)	
		(3 521)	(3 603)	(14.0)
<b>Netherlands</b>				
ASM International N.V.	(227)	(100)	(118)	
DSM-Firmenich AG	(1 901)	(157)	(193)	
Heineken N.V.	(3 975)	(390)	(404)	
JDE Peet's N.V.	(3 715)	(113)	(100)	
		(760)	(815)	(3.2)
<b>Singapore</b>				
DBS Group Holdings Ltd.	(6 400)	(148)	(162)	
Singapore Technologies Engineering Ltd.	(4 700)	(13)	(14)	
		(161)	(176)	(0.7)





December 31, 2023

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Spain</b>				
Acciona S.A.	(1 497)	(209)	(220)	
Cellnex Telecom S.A.	(18 827)	(721)	(741)	
Corp ACCIONA Energias Renovables S.A.	(19 444)	(557)	(603)	
Grifols S.A.	(6 050)	(91)	(103)	
		(1 578)	(1 667)	(6.5)
<b>Sweden</b>				
Assa Abloy AB Class B	(16 068)	(360)	(464)	
Beijer Ref AB	(32 891)	(370)	(443)	
Boliden AB	(2 297)	(64)	(72)	
Nibe Industrier AB Class B	(67 316)	(440)	(473)	
		(1 234)	(1 452)	(5.7)
<b>Switzerland</b>				
SIG Group AG	(1 081)	(26)	(25)	
		(26)	(25)	(0.1)
<b>United Kingdom</b>				
3i Group Plc.	(10 445)	(169)	(321)	
Antofagasta Plc.	(5 857)	(116)	(125)	
Halma Plc.	(1 005)	(27)	(29)	
NatWest Group Plc.	(279 295)	(760)	(778)	
Ocado Group Plc.	(5 269)	(79)	(51)	
Smith & Nephew Plc.	(2 346)	(48)	(32)	
Spirax-Sarco Engineering Plc.	(7 223)	(839)	(966)	
		(2 038)	(2 302)	(9.0)
<b>United States</b>				
Air Products and Chemicals Inc.	(2 984)	(830)	(817)	
Albemarle Corp.	(1 088)	(139)	(157)	
Brown-Forman Corp. Class B	(4 889)	(282)	(279)	
CBRE Group Inc. Class A	(546)	(43)	(51)	
Celanese Corp.	(1 693)	(200)	(263)	
Constellation Energy Corp.	(1 682)	(177)	(197)	
Corning Inc.	(14 142)	(421)	(431)	
Eversource Energy	(4 478)	(258)	(276)	
Extra Space Storage Inc.	(3 855)	(531)	(618)	

	Holdings	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>United States (cont.)</b>				
FMC Corp.	(2 301)	(126)	(145)	
Global Payments Inc.	(1 322)	(160)	(168)	
HEICO Corp. Class A	(6 373)	(889)	(908)	
Knight-Swift Transportation Holdings Inc.	(542)	(31)	(31)	
L3Harris Technologies Inc.	(497)	(99)	(105)	
LKQ Corp.	(694)	(32)	(33)	
Micron Technology Inc.	(4 478)	(269)	(382)	
Moderna Inc.	(128)	(10)	(13)	
Morgan Stanley	(8 071)	(675)	(753)	
Nasdaq Inc.	(4 654)	(241)	(271)	
NextEra Energy Inc.	(2 333)	(137)	(142)	
ON Semiconductor Corp.	(947)	(70)	(79)	
Philip Morris International Inc.	(8 604)	(792)	(809)	
Raymond James Financial Inc.	(1 136)	(125)	(127)	
Realty Income Corp.	(4 356)	(220)	(250)	
Rivian Automotive Inc. Class A	(10 166)	(224)	(238)	
Roper Technologies Inc.	(1 409)	(688)	(768)	
SolarEdge Technologies Inc.	(3 187)	(260)	(298)	
Southwest Airlines Co.	(7 551)	(252)	(218)	
Take-Two Interactive Software Inc.	(884)	(108)	(142)	
Tesla Inc.	(74)	(18)	(18)	
Texas Instruments Inc.	(5 509)	(856)	(939)	
Tractor Supply Co.	(71)	(15)	(15)	
U-Haul Holding Co.	(615)	(34)	(43)	
Unity Software Inc.	(7 978)	(270)	(326)	
Waste Connections Inc.	(737)	(103)	(110)	
Waters Corp.	(391)	(115)	(129)	
Whirlpool Corp.	(3 095)	(343)	(377)	
Wolfspeed Inc.	(4 913)	(192)	(214)	
WP Carey Inc.	(262)	(14)	(17)	
Xylem Inc.	(707)	(67)	(81)	
		(10 316)	(11 238)	(43.8)
<b>TOTAL INVESTMENTS – SECURITIES SOLD SHORT</b>				
		(25 751)	(27 531)	(107.4)

	Par Value (000s)	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>SHORT-TERM INVESTMENTS</b>				
United States Treasury Bill 5.360% Jan 11, 2024	700	699	699	
United States Treasury Bill 5.414% Feb 20, 2024	5 000	4 963	4 963	
United States Treasury Bill 5.265% Mar 12, 2024	1 700	1 683	1 683	
United States Treasury Bill 5.274% Apr 09, 2024	6 500	6 407	6 407	
United States Treasury Bill 5.362% May 16, 2024	6 300	6 176	6 176	
<b>TOTAL SHORT-TERM INVESTMENTS</b>		19 928	19 928	77.6
<b>TOTAL INVESTMENTS</b>		19 064	19 782	77.0
<b>CASH</b>			5 906	23.0
<b>OTHER NET ASSETS (LIABILITIES) ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			(13)	–
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			25 675	100.0



### Statements of Financial Position

(in \$000s except per unit amounts)

(see note 2 in the generic notes)	December 31 2023	December 31 2022
<b>ASSETS</b>		
Investments at fair value	\$ 47 313	\$ 43 878
Cash	5 906	573
Subscriptions receivable	25	–
Dividends receivable, interest accrued and other assets	13	18
<b>TOTAL ASSETS</b>	<b>53 257</b>	<b>44 469</b>
<b>LIABILITIES</b>		
Investments in securities sold short	27 531	21 802
Stock loan fee payable	11	11
Dividends payable on short sales	32	17
Accounts payable and accrued expenses	8	8
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>27 582</b>	<b>21 838</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (“NAV”)</b>		
	\$ 25 675	\$ 22 631
Investments at cost	\$ 19 064	\$ 20 213
<b>NAV</b>		
<b>SERIES A</b>	\$ 125	\$ 214
<b>SERIES F</b>	\$ 2 964	\$ 1 679
<b>SERIES O</b>	\$ 22 586	\$ 20 738
<b>NAV PER UNIT</b>		
<b>SERIES A</b>	\$ 8.99	\$ 8.69
<b>SERIES F</b>	\$ 9.99	\$ 9.56
<b>SERIES O</b>	\$ 10.62	\$ 10.05

### 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
<b>INCOME (see note 3 in the generic notes)</b>		
Dividends	\$ 480	\$ 551
Dividends on short sales	(479)	(375)
Interest for distribution purposes	1 124	320
Income from investment trusts	–	30
Derivative income (loss)	(2)	8
Net realized gain (loss) on investments	1 367	2 960
Change in unrealized gain (loss) on investments and derivatives	(1 145)	(603)
<b>TOTAL NET GAIN (LOSS) ON INVESTMENTS AND DERIVATIVES</b>	<b>1 345</b>	<b>2 891</b>
Other income (loss)	–	30
Net gain (loss) on foreign cash balances	6	(58)
<b>TOTAL OTHER INCOME (LOSS)</b>	<b>6</b>	<b>(28)</b>
<b>TOTAL INCOME (LOSS)</b>	<b>1 351</b>	<b>2 863</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	23	26
Administration fees	1	4
GST/HST	3	3
Transaction costs	82	70
Withholding tax	90	92
Stock loan fee	56	85
Interest on bank overdraft	187	50
<b>TOTAL EXPENSES</b>	<b>442</b>	<b>330</b>
<b>INCREASE (DECREASE) IN NAV</b>	<b>\$ 909</b>	<b>\$ 2 533</b>
<b>INCREASE (DECREASE) IN NAV</b>		
<b>SERIES A</b>	\$ 8	\$ 21
<b>SERIES F</b>	\$ 56	\$ 246
<b>SERIES O</b>	\$ 845	\$ 2 266
<b>INCREASE (DECREASE) IN NAV PER UNIT</b>		
<b>SERIES A</b>	\$ 0.36	\$ 0.84
<b>SERIES F</b>	\$ 0.29	\$ 1.01
<b>SERIES O</b>	\$ 0.46	\$ 1.15



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

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

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in NAV	\$ 909	\$ 2 533
<b>ADJUSTMENTS TO RECONCILE NET CASH PROVIDED BY (USED IN) OPERATIONS</b>		
Amortization of premium and discounts	(803)	(299)
Non-cash dividends	(8)	(25)
Non-cash distributions from underlying funds	–	–
Net realized loss (gain) on investments	(1 367)	(2 960)
Change in unrealized loss (gain) on investments and derivatives	1 145	603
(Increase) decrease in accrued receivables	5	(11)
Increase (decrease) in accrued payables	11	4
(Increase) decrease in margin accounts	–	–
Cost of investments purchased*	(138 324)	(195 178)
Proceeds from sale and maturity of investments*	141 655	187 793
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>3 223</b>	<b>(7 540)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of redeemable units*	10 639	5 521
Cash paid on redemption of redeemable units*	(8 529)	(3 536)
Distributions paid to holders of redeemable units	–	–
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>2 110</b>	<b>1 985</b>
Net increase (decrease) in cash for the period	5 333	(5 555)
Cash (bank overdraft), beginning of period	573	6 128
<b>CASH (BANK OVERDRAFT), END OF PERIOD</b>	<b>\$ 5 906</b>	<b>\$ 573</b>
Interest received (paid) <sup>†</sup>	\$ 321	\$ 21
Income from investment trusts received (paid) <sup>†‡</sup>	\$ –	\$ 25
Dividends received (paid) <sup>†‡</sup>	\$ (87)	\$ 339

\* Excludes in-kind transactions.

<sup>†</sup> Classified as part of operating activities.

<sup>‡</sup> 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 O		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>NAV AT BEGINNING OF PERIOD</b>	\$ 214	\$ 193	\$ 1 679	\$ 2 301	\$ 20 738	\$ 15 619	\$ 22 631	\$ 18 113
<b>INCREASE (DECREASE) IN NAV</b>	<b>8</b>	<b>21</b>	<b>56</b>	<b>246</b>	<b>845</b>	<b>2 266</b>	<b>909</b>	<b>2 533</b>
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from redeemable units issued	–	–	1 618	262	9 046	5 259	10 664	5 521
Reinvestments of distributions to holders of redeemable units	–	–	–	–	–	–	–	–
Redemption of redeemable units	(97)	–	(389)	(1 130)	(8 043)	(2 406)	(8 529)	(3 536)
<b>NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS</b>	<b>(97)</b>	<b>–</b>	<b>1 229</b>	<b>(868)</b>	<b>1 003</b>	<b>2 853</b>	<b>2 135</b>	<b>1 985</b>
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET INCREASE (DECREASE) IN NAV</b>	<b>(89)</b>	<b>21</b>	<b>1 285</b>	<b>(622)</b>	<b>1 848</b>	<b>5 119</b>	<b>3 044</b>	<b>4 518</b>
<b>NAV AT END OF PERIOD</b>	<b>\$ 125</b>	<b>\$ 214</b>	<b>\$ 2 964</b>	<b>\$ 1 679</b>	<b>\$ 22 586</b>	<b>\$ 20 738</b>	<b>\$ 25 675</b>	<b>\$ 22 631</b>



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 securities of issuers listed on global equity markets which are expected to outperform comparable securities, while selling short an equivalent dollar amount of global equity securities which are expected to underperform.

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

#### Concentration risk (%)

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

Investment mix	December 31 2023	December 31 2022
Norway	5.4	4.5
Switzerland	5.1	4.9
Italy	4.9	(2.8)
China	2.8	4.8
United Kingdom	2.0	(0.6)
Finland	1.6	(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)
Canada	(1.4)	(3.7)
France	(1.4)	2.4
Netherlands	(3.2)	3.2
Belgium	(3.3)	(2.1)
United States	(4.6)	(1.7)
Germany	(4.8)	(1.3)
Sweden	(5.6)	(3.6)
Hong Kong	–	0.3
Cash/Other	100.6	100.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### 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 (USD)	+ 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 (USD000s 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
<b>Equities – long</b>	<b>11 229</b>	<b>16 156</b>	–	<b>27 385</b>
<b>Equities – short</b>	<b>(13 360)</b>	<b>(14 171)</b>	–	<b>(27 531)</b>
<b>Underlying funds – long</b>	–	–	–	–
<b>Underlying funds – short</b>	–	–	–	–
<b>Fixed-income and debt securities – long</b>	–	–	–	–
<b>Fixed-income and debt securities – short</b>	–	–	–	–
<b>Short-term investments</b>	–	<b>19 928</b>	–	<b>19 928</b>
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	<b>(2 131)</b>	<b>21 913</b>	–	<b>19 782</b>
<b>% of total portfolio</b>	<b>(10.8)</b>	<b>110.8</b>	–	<b>100.0</b>

December 31, 2022	Level 1	Level 2	Level 3	Total
Equities – long	9 007	12 726	–	21 733
Equities – short	(10 054)	(11 748)	–	(21 802)
Underlying funds – long	–	–	–	–
Underlying funds – short	–	–	–	–
Fixed-income and debt securities – long	–	–	–	–
Fixed-income and debt securities – short	–	–	–	–
Short-term investments	–	22 145	–	22 145
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	(1 047)	23 123	–	22 076
% of total portfolio	(4.7)	104.7	–	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

### Custodian

The Bank of Nova Scotia is the custodian of the Fund, holds the assets of the Fund and earns a fee as the custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

### 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 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 (USD000s 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
<b>Units held</b>		
Series A	56	56
Series F	61	61
Series O	63	63
<b>Value of all units</b>	<b>2</b>	<b>2</b>

### Taxes (CAD000s) (see note 6 in the generic notes)

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (including gains from foreign exchange movements) calculated on a Canadian dollar basis.

The non-capital and capital losses for the Fund were approximately:

As at December 31, 2023	
Capital losses	1 727
Non-capital losses	20 424
Non-capital losses expire in:	
2041	3 453
2040	3 538
2039	13 433

### 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
<b>Series A</b>		
Opening units	25	25
Issued number of units	–	–
Reinvested number of units	–	–
Redeemed number of units	(11)	–
Ending number of units	14	25
<b>Series F</b>		
Opening units	176	269
Issued number of units	160	31
Reinvested number of units	–	–
Redeemed number of units	(39)	(124)
Ending number of units	297	176
<b>Series O</b>		
Opening units	2 063	1 755
Issued number of units	840	561
Reinvested number of units	–	–
Redeemed number of units	(777)	(253)
Ending number of units	2 126	2 063

### Transaction costs (USD000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	December 31 2023		December 31 2022	
	\$	%	\$	%
Total transaction costs	82	100	70	100
Related-party brokerage commissions*	–	–	–	–
Commission arrangements <sup>†</sup>	–	–	–	–

\* See note 8 in the generic notes.

<sup>†</sup> Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

### 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 Alpha Plus U.S. Equity Fund	10.0	9.8
RBC QUBE Market Neutral World Equity Fund (CAD Hedged)	76.9	80.7
<b>Total</b>	<b>86.9</b>	<b>90.5</b>

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.

December 31, 2023

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

December 31, 2023

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

December 31, 2023

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



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.

December 31, 2023

**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

December 31, 2023

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



December 31, 2023

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:

December 31, 2023

*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  
RBC Alternative Funds****By Phone**

Investors: **1-800-463-FUND (3863)**  
Dealers: **1-800-662-0652**

**Phillips, Hager & North Funds****By Phone**

Investors: **1-800-661-6141**  
Dealers: **1-800-662-0652**

**On the Internet**

Visit our website at: **[rbcgam.com/regulatorydocuments](http://rbcgam.com/regulatorydocuments)**  
Contact us: **[rbcgam.com/contact-us](http://rbcgam.com/contact-us)**

**By Mail**

Head office:

**RBC Global Asset Management Inc.**  
**155 Wellington Street West**  
**Suite 2200**  
**Toronto, Ontario**  
**M5V 3K7**

For general mutual fund enquiries, write to:

**RBC Global Asset Management Inc.**  
**P.O. Box 7500, Station A**  
**Toronto, Ontario**  
**M5W 1P9**



Global Asset  
Management