RBC Multi-Strategy Alpha Fund

Q1 2019 Quarterly Report

Performance

Performance as of March 31, 2019 (%)	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	SI*
RBC Multi-Strategy Alpha Fund	**-0.75**	**-0.01**	**3.29**	**5.95**	**3.58**	**3.62**	**4.30**
FTSE Canada 91-Day T-Bill Index	*0.40*	*1.47*	*1.11*	*0.90*	*0.81*	*0.83*	*0.84*

Series O performance in Canadian dollars, net of fees and expenses including those of underlying funds.
*Inception date is August 31, 2013.

Fund Overview

The RBC Multi-Strategy Alpha Fund's (MSAF) objective is to generate positive absolute returns with moderate risk of annual drawdown and moderate correlation to traditional asset classes. The fund aims to achieve this objective through exposure to a strategic mix of RBC GAM alternative, absolute return, and other investment strategies.

Attribution and Review

The fund produced a negative return during the quarter with the Absolute Return, World Market Neutral, and Relative Value Credit strategies detracting from performance, while the Event Driven, Commercial Mortgage, and cash positions contributed positively.

The **Absolute Return** strategy posted a negative return with losses on equity and credit hedges early in the quarter accounting for most of the underperformance.

The **Market Neutral Equity** strategies also detracted as losses in the World Market Neutral strategy on weak factor performance and stock-specific risk offset modest gains in the Canadian Market Neutral strategy.

The **Relative Value Credit** strategies detracted from returns as underperformance of the interest rate and currency positions were only partially offset by gains in sovereign and corporate credit.

The **Global Sovereign Macro** strategy was relatively flat with weak performance across developed markets (G10) rates and currencies offset by gains in sovereign credit.

The **Event Driven Credit** strategy generated a positive return, led by gains on core and select restructuring positions, while stressed holdings and market shorts marginally detracted from returns.

The **Commercial Mortgage** strategy also produced a positive return during the quarter supported by stable yield accrual from a portfolio of high-quality, high yield commercial mortgages.

Overall, the PH&N Absolute Return Fund (-0.89%), the RBC QUBE Market Neutral World Equity Fund (-0.10%), and the Global Credit Alpha Long Short Fund (-0.07%) detracted from returns, while the Event Driven Credit Fund (+0.15%), cash holdings (+0.09%), the PH&N High Yield Mortgage Fund (+0.04%), and the RBC QUBE Market Neutral Canadian Equity (+0.03%) contributed to gains; the BlueBay Global Sovereign Opportunities and the BlueBay Absolute Return Investment Grade Bond funds were relatively flat.

Positioning and Outlook

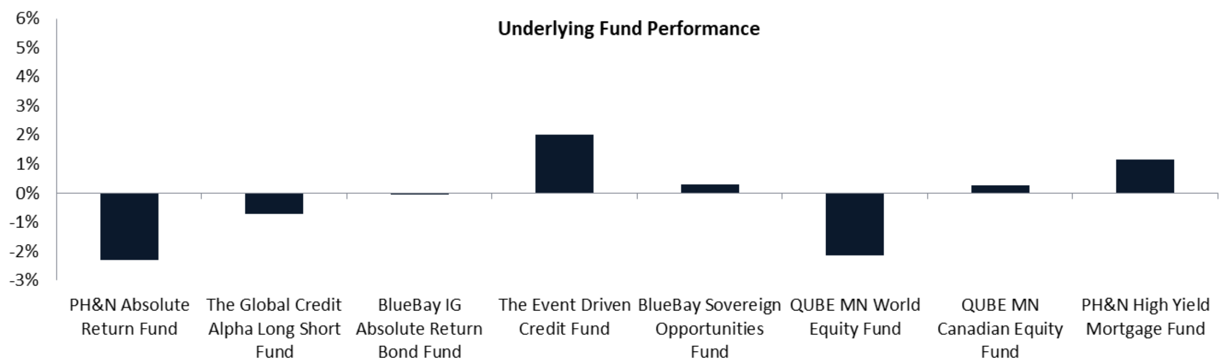
The underlying strategy target mix of the fund continues to reflect the more defensive stance that the Alternative Investment Committee adopted in the fourth quarter of 2018, with ample liquidity available for redeployment in potential future opportunities.

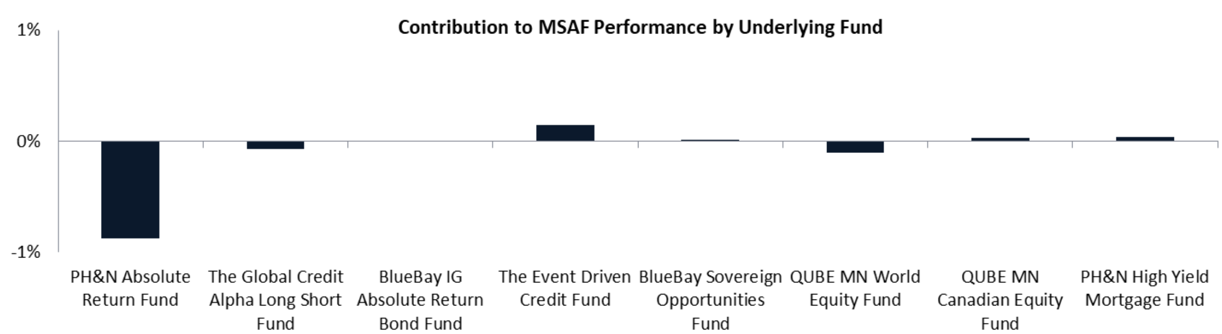
Target Strategy Mix

As of March 31, 2019 (%)	Target Weight
PH&N Absolute Return Fund	38.0
The Global Credit Alpha Long Short Fund	12.0
BlueBay Investment Grade Absolute Return Bond Fund	5.0
The Event Driven Credit Fund	5.0
BlueBay Sovereign Opportunities Fund	3.0
RBC QUBE Market Neutral World Equity Fund	5.0
RBC QUBE Market Neutral Canadian Equity Fund	10.0
PH&N High Yield Mortgage Fund*	5.0
Cash**	15-20

*Expected allocation range once all of the committed capital is called
**Cash weight varies based on fund cash flows and rebalancing trades

Underlying Fund Performance Summary: Quarter Ended March 31, 2019





MSAF Underlying Strategy Performance Updates

Absolute Return Strategy

PH&N Absolute Return Fund Performance as of March 31, 2019 (%)							
	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	SI*
Strategy Performance	-2.31	5.85	3.95	10.93	7.26	7.55	8.25

Returns are net-of-fee and reported in Canadian dollars. *Since inception date of August 2013.

The PH&N Absolute Return Fund produced a negative return largely as a result of losses on large tactical equity and credit hedges incurred early in the quarter as markets rallied.

Our hedging strategies have served us well in the past but we have adjusted our approach through tighter risk budgeting to reduce the risk of a loss of this nature in the future.

In corporate bonds, we actively repositioned the credit portfolio from last quarter, taking profits on some of our higher beta positions and redeploying capital into attractive short-dated yield-to-call bonds.

Some of these holdings will allow us to effectively lock in expected annualized returns of 4-6% with fairly low risk over the next 12-18 months, providing the fund with a steady income tailwind.

We continue to have limited exposure to REITs at current valuations and unwound a risk arbitrage position during the quarter, reducing our use of capital in this strategy as we await more attractive opportunities.

In long/short equity, our Canadian/U.S. financials pair basket detracted early in the quarter as our shorts in U.S. banks experienced sharp rallies without a commensurate rise in Canada. We recovered a material portion of this loss with a successful trade in this sector later in the quarter.

We also profited from a modest long position in **Gluskin Sheff** as the company was taken out at a 30% premium. We established two new event driven positions during the quarter that we will discuss once we build them up to our target weights.

In capital structure arbitrage, our position in the undervalued preferred shares of a mid-cap Canadian service company contributed to returns as it paid up accrued and accumulated dividends; we now view this holding as an income-producing security with yields of 6.5-7.5%.

The fund’s equity/REIT exposure at the end of the quarter was 15% and is expected to be in the -15% to +20% range for the remainder of 2019; leverage was at 1.6x (below our 2x maximum) and is likely to remain in the 1.25-1.75x range in the quarters ahead.

We have concentrated our portfolio in high-quality, lower-risk income-producing positions along with select higher conviction event driven situations that do not require strong markets to perform. We remain optimistic on the year despite the tough start.

Market Neutral Equity Strategies

RBC QUBE Market Neutral World Equity Fund Performance as of March 31, 2019 (%)							
	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	SI*
Strategy Performance	-2.15	-8.70	2.03	1.87	-	-	2.78

Returns are net-of-fee and reported in Canadian dollars. *Since inception date of August 2015.

RBC QUBE Market Neutral Canadian Equity Fund Performance as of March 31, 2019 (%)							
	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	SI*
Strategy Performance	0.27	-0.78	2.00	2.03	0.67	1.35	2.28

Returns are net-of-fee and reported in Canadian dollars. *Since inception date of August 2012.

Equity market neutral strategies combined for a negative return with a modest gain in the Canadian fund offset by weak performance in the World fund.

Both funds are managed using the same quantitative process that assesses companies based on fundamental characteristics, or alpha factors, that we believe drive superior long-term returns.

The World strategy performance suffered from weak factor returns (Profitability was the only material positive performer) as well as stock-specific risk.

Narrow and low factor returns as we saw during the first quarter are generally a headwind for this strategy given its more diversified nature.

In Canada, factor performance was mixed, with gains in Analyst, Growth, Value, and Technical factors partially offset by weak returns from Quality, Profitability, and Sentiment.

Both strategies are well diversified across the key factors we measure and have low levels of correlations with each other and other underlying strategies in the portfolio, providing independent sources of returns and diversification benefits within the MSAF.

Relative Value Credit Strategies

BlueBay Investment Grade Absolute Return Bond Fund as of March 31, 2019 (%)	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	SI*
Strategy Performance	-0.04	-3.14	0.78	2.22	0.27	0.45	1.38

Returns are net-of-fee and reported in Canadian dollars. *Since inception date of August 2013.

The Global Credit Alpha Long Short Fund as of March 31, 2019 (%)	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	SI*
Strategy Performance	-0.71	-2.51	5.38	5.76	3.46	3.29	4.90

Returns are net-of-fee and reported in Canadian dollars. *Since inception date of August 2013.

Relative Value Credit strategies detracted from performance largely due to negative returns in the Global Credit Alpha Long Short Fund. Both strategies are managed by the BlueBay investment grade team with a similar approach, though with different risk-and-return expectations.

Interest rates exposure was a large detractor across both strategies as changing market expectations towards U.S. interest rates (moving from expected hikes to expected cuts within just a few months) hurt our short position in the front end of the U.S. yield curve.

Active currency positions also detracted from returns, with our holdings in select Scandinavian (e.g., **Swedish krona**) and EM currencies underperforming.

The corporate credit holdings were the bright spot for the portfolio with more defensive long positions (e.g., **Abertis**) performing well; our long position in **GM** and select new issues recently added to the portfolio also generated gains.

Sovereign credit positioning marginally added to gains, mostly as a result of our core holding in **Greece**, while performance of our longs in **Italian bonds** was relatively flat.

We reduced and re-sized interest rate risk late in the quarter to limit further losses. In corporate credit, we continue to seek attractive relative value opportunities rather than exposing the portfolio to directional risk.

Global Sovereign Strategy

BlueBay Global Sovereign Opportunities Fund Performance as of March 31, 2019 (%)							
	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	SI*
Strategy Performance	0.29	-9.10	0.53	-	-	-	0.72

Returns are net-of-fee and reported in Canadian dollars.*Since inception date of December 2016.

The BlueBay Global Sovereign Opportunities Fund produced a flat return during the quarter, with early gains offset by a combination of global growth fears and weaker returns in EM late in the quarter.

The short U.S. rates position was a key negative for performance; currencies also detracted, with long positions in EM (e.g., **Brazilian real**) and a short in **British pound** (vs. EUR) underperforming.

Our sovereign credit positions performed well, with gains in both developed (e.g., **Greece**, **Italy**) and EM (e.g., **Nigeria**, **Ecuador**) credits.

Our outlook for U.S. interest rates has not changed and we remain short; we also continue to favour select EM assets, including commodity-linked EM currencies (e.g., **Indian rupee**, **Colombian peso**) that we expect to benefit from a recovery in Chinese economic activity.

Event Driven Strategy

The Event Driven Credit Fund Performance as of March 31, 2019 (%)							
	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 yr	SI*
Strategy Performance	2.01	3.10	5.06	6.33	4.13	5.98	5.98

Returns are net-of-fee and reported in Canadian dollars. *Since inception date of March 2014.

The Event Driven Credit Fund posted a gain during the quarter with strong returns from restructuring, core, and event driven positions, while stressed and market hedges marginally detracted.

Restructuring gains came from positions in Spanish chocolate maker **Natra** (tender offer) and troubled UK retailer **House of Fraser** (favourable recovery value).

Our core income portfolio, where we tend to focus on higher-yielding securities, also posted gains on stronger tone for high yield and leverage loan markets.

Gains in our event driven positions came from exposure to **AA** (a roadside recovery business), and strong returns from holdings added during the December sell-off (e.g., **Noble Energy**, **Transocean)**.

Our position in Italian bank **Monte Paschi** led to a marginal loss in our stressed portfolio, while market hedges also detracted in the face of strong market backdrop.

We continue to look for opportunities to add holdings with attractive risk/reward profiles to the portfolio and maintain sufficient liquidity to move quickly and decisively on developing situations.

Commercial Mortgage Strategy

PH&N High Yield Mortgage Fund

PH&N High Yield Mortgage Fund Performance as of March 31, 2019 (%)							
	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	SI*
Strategy Performance	1.15	5.48	-	-	-	-	5.53

Returns are net-of-fee and reported in Canadian dollars. *Since inception date of November 2017.

The PH&N High Yield Mortgage Fund (HYMF) invests primarily in “high-quality, high yield” commercial mortgages, lending to high-quality borrowers with a proven track record of managing real estate assets through periods of stress.

The fund currently represents ~3.3% of MSAF, with a target weight of 5% expected to be achieved over the course of this year.

The fund continues to generative positive absolute returns as a result of yield accrual (~6%), administration fees, and an environment of below-normal market impairments in the high yield mortgage market.

We added two first mortgages (mixed-use office/retail and multi-family) and a subordinate mortgage (industrial) to the portfolio. We see increased competition for subordinate mortgages and remain disciplined in our underwriting approach.

We remain cognizant of the investment risks associated with the later stages of a credit cycle and, therefore, are maintaining our high-quality high yield bias by continuing to selectively add to the portfolio.

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Publication Date: April 12, 2019.