

PH&N High Yield Bond Fund

Investment Objective

To provide a high level of income and the opportunity for capital appreciation by investing primarily in a well-diversified portfolio of fixed income securities issued by Canadian and/or foreign corporations and governments.

Fund Details

Series	Load Structure	Currency	Fund Code
D	No Load	CAD	RBF1280

Inception Date	July 2000
Total Fund Assets \$Mil	4,615.5
Series D NAV \$	11.57
Series D MER %	0.87
Benchmark	FTSE Canada Universe Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

Sales Status	Partially Reopen to existing unit holder
Min. Investment \$	500
Subsequent Investment \$	25

Fund Category	High Yield Fixed Income
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Management Company	RBC Global Asset Management Inc.
Web Site	www.rbcgam.com

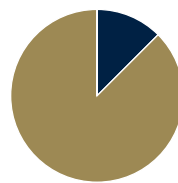
Notes

Effective July 10, 2019, units of this fund will not be available for purchases by new investors. Existing investors who hold units of the fund can continue to make additional investments into the fund.

Fund's investment objective changed November 28, 2011.

Portfolio Analysis as of September 30, 2019

Asset Mix



	% Assets
Cash	12.5
Fixed Income	87.5
Canadian Equity	0.0
US Equity	0.0
International Equity	0.0
Other	0.0

Top 25 Holdings

	% Assets
Inter Pipeline Limited 6.88% 26-03-2079	6.3
Seven Generations Engy 6.75% 01-05-2023	5.6
Quebecor Media Inc. 6.62% 15-01-2023	5.2
Brookfield Prop Fin ULC 4.3% 01-03-2024	4.8
CSC Holdings, LLC 10.88% 15-10-2025	4.7
Teine Energy Ltd 6.88% 30-09-2022	4.4
Baytex Energy Corp 6.62% 19-07-2022	3.8
Icahn Enterprises Lp 6.25% 01-02-2022	3.4
Baytex Energy Corp 5.62% 01-06-2024	3.3
Brookfield Property Fin 4.12% 19-10-2021	2.1
Keyera Corp. 6.88% 13-06-2079	2.0
Videotron LTD/ Videotron 4.5% 15-01-2030	1.8
Fairfax Financial Hld 4.23% 14-06-2029	1.8
Crew Energy Inc 6.5% 14-03-2024	1.7
Crombie REIT 3.96% 01-06-2021	1.7
Ces Engy Solutions 6.375% 21-10-2024	1.7
CI Financial Corp 3.22% 22-07-2024	1.5
Crombie REIT 4.8% 31-01-2025	1.5
Atlantic Pwr Ltd Part 5.95% 23-06-2036	1.5
Paramount Res 144A 6.875% 30-06-2023	1.4
Parkland Fuel Corporation 6% 21-11-2022	1.3
Cominar REIT 4.5% 15-05-2024	1.2
Cominar REIT 4.16% 01-06-2022	1.2
Morguard Corp 4.33% 15-09-2022	1.2
Crombie REIT 3.68% 26-08-2026	1.2
Total % of Top 25 Holdings	66.5
Total Number of Stock Holdings	0
Total Number of Bond Holdings	62
Total Number of Other Holdings	3
Total Number of Holdings	65

Fixed Income Breakdown

	% Fixed Income
Government Bonds	0.0
Corporate Bonds	87.3
Other Bonds	0.4
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	12.3
Asset Backed Securities	0.0

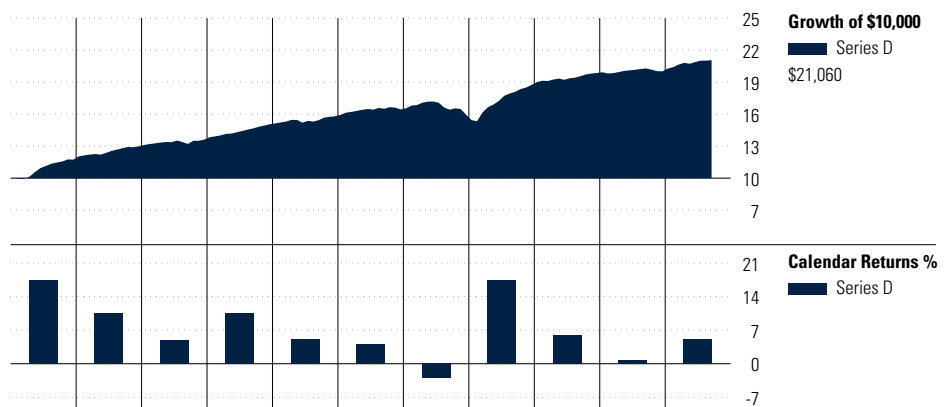
Bond Rating

	%	Term to Maturity	%
Cash / Cash Equiv.	12.3	Under 1 year	14.3
AAA	0.0	1 - 5 Yrs	57.8
AA	0.6	5 - 10 Yrs	24.1
A	0.0	Over 10 Yrs	3.8
BBB	22.2		
Below BBB	64.9	Avg. Term to maturity (Yrs)	4.3
Mortgages	0.0	Duration (Yrs)	3.0
NR/NA	0.0	Yield to Maturity	4.4

Geographic Allocations

	% Assets
Canada	45.1
United States	54.9
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

Performance Analysis as of September 30, 2019



Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD	
	17.3	10.6	4.9	10.6	5.1	4.0	-3.0	17.5	6.0	0.7	5.2	Fund Quartile
	4 th	3 rd	2 nd	3 rd	3 rd	2 nd	3 rd	1 st	1 st	1 st	4 th	

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
	0.2	0.8	2.0	3.8	5.2	5.0	6.3	7.5	Fund
	2 nd	3 rd	3 rd	3 rd	1 st	1 st	2 nd	—	Quartile
	472	472	469	457	370	247	61	—	No. of Funds in Category

PH&N High Yield Bond Fund

Management Overview

Manager Bios

Hanif Mamdani

Phillips, Hager & North Investment Management

Hanif Mamdani is Head of Alternative Investments and is lead manager of a high yield bond strategy, a multi-strategy hedge fund, and a proprietary multi-strategy hedge fund-of-funds solution. He is also a member of the Asset Mix Committee and the RBC GAM Investment Strategy Committee. Hanif holds a master's degree from Harvard University and a bachelor's degree with honours from the California Institute of Technology.

Performance Analysis Cont'd as of September 30, 2019

Distributions (\$)/Unit	YTD*	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Distributions	0.40	0.56	0.88	0.68	0.67	0.69	0.65	0.79	0.68	0.96	0.55
Interest	0.40	0.56	0.58	0.59	0.67	0.69	0.65	0.64	0.68	0.55	0.50
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	0.30	0.09	—	—	—	0.14	—	0.40	0.05
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	9-2003	25.0	7-2005	14.4	10-2013	10.7	9-2012	9.5
Worst	2-2016	-8.7	2-2016	0.2	2-2016	3.0	2-2016	5.6
Average		7.4		7.6		7.3		7.6
No. of Periods		219		195		171		111
Pct. Positive		93.2		100.0		100.0		100.0

* Distributions are characterized into income type at year-end.

Commentary as at September 30, 2019

High yield bonds continued to perform well as easing central bank monetary policy outweighed growing concerns over a global economic slowdown. September's uptick in high yield new issuance was easily absorbed as the demand for yield globally remains very strong. High yield defaults rose slightly, mainly in troubled sectors, but default rates remain well below long-term averages. Despite the overall buoyancy in high yield, investors showed a clear preference for high-quality names, further "bifurcating" the market across credit ratings.

We maintain our cautious outlook as we are unsure whether central bank actions will prolong this credit cycle or if a recession is approaching in the next 12-18 months. Both outcomes to this binary question appear possible and we have positioned the portfolio to provide reasonable returns in either scenario, with an emphasis on avoiding potentially problematic areas in a

recessionary environment. Our portfolio mainly comprises a large amount of intermediate-dated investment grade bonds with a focus on solid Canadian BBB credits, along with a significant allocation to short-dated high yield bonds with a bias to non-cyclical issuers that could withstand a recessionary backdrop.

Despite our cautious outlook, we believe a defensively structured high yield portfolio can provide clients with the opportunity to diversify their fixed income allocations and add yield within their balanced portfolios without an undue increase in risk. The fund's lower risk and shorter duration profile may constrain returns as markets continue to rally, but we believe this defensive posture will produce steadier returns over the long term. To this end, we opened the fund at the previous quarter end and returned to a "soft close" status on July 10 after meeting targets.

PH&N High Yield Bond Fund

Disclosure

RBC Funds, BlueBay Funds, PH&N Funds and RBC Corporate Class Funds are offered by RBC Global Asset Management Inc. and distributed through authorized dealers.

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MER (%) for RBC Funds, PH&N Funds and BlueBay Funds is based on actual expenses for the preceding calendar year or most recent half-year period ended June 30 expressed on an annualized basis, depending on availability of data at the time of publication.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the preceding full year period ended March 31 or half-year period ended September 30 expressed on an annualized basis, depending on availability of data at the time of publication.

Series H and Series I are not available for purchase by new investors. Existing investors who hold Series H or Series I units

can continue to make additional investments into the same series of the funds they hold.

Graphs are only used to illustrate the effects of the compound growth rate and do not reflect future values of any fund or returns on investment of any fund.

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Quartile rankings are determined by Morningstar Research Inc., an independent research firm, based on categories maintained by the Canadian Investment Funds Standards Committee (CIFSC). Quartile rankings are comparisons of the performance of a fund to other funds in a particular category and are subject to change monthly. The quartiles divide the data into four equal segments expressed in terms of rank (1, 2, 3 or 4).

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