

PH&N Bond Fund

Investment Objective

To provide relatively high yields and stability of capital by investing primarily in a well-diversified portfolio of fixed income securities issued by Canadian governments and corporations.

Fund Details

Series	Load Structure	Currency	Fund Code
F	No Load	CAD	RBF5110

Inception Date	June 2007
Total Fund Assets \$Mil	9,743.0
Series F NAV \$	10.15
Series F MER %	0.49
Benchmark	FTSE TMX Canada Universe Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

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

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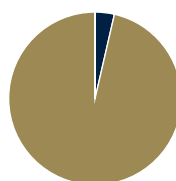
Web Site	www.rbcgam.com
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Notes

Effective July 4, 2016, 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.

Portfolio Analysis as of January 31, 2018

Asset Mix



	% Assets
Cash	3.6
Fixed Income	96.4
Canadian Equity	0.0
US Equity	0.0
International Equity	0.0
Other	0.0

Top 10 Holdings

	% Assets
Canada Hsg Tr No 1 2.4% 15-12-2022	5.4
Canada Govt 0.75% 01-09-2020	4.3
Canada Govt 1.75% 01-03-2023	3.1
Ontario Prov Cda 3.5% 02-06-2043	2.7
Canada Hsg Tr No 1 1.75% 15-06-2022	2.7
Canada Hsg Tr No 1 1.25% 15-06-2021	2.6
Canada Govt 2.75% 01-12-2048	2.6
Ontario Prov Cda 6.2% 02-06-2031	2.6
Canada Govt 3.25% 01-06-2021	2.2
Ontario Prov Cda 5.6% 02-06-2035	2.2
Total % of Top 10 Holdings	30.4
Total Number of Stock Holdings	0
Total Number of Bond Holdings	331
Total Number of Other Holdings	4
Total Number of Holdings	335

Fixed Income Breakdown

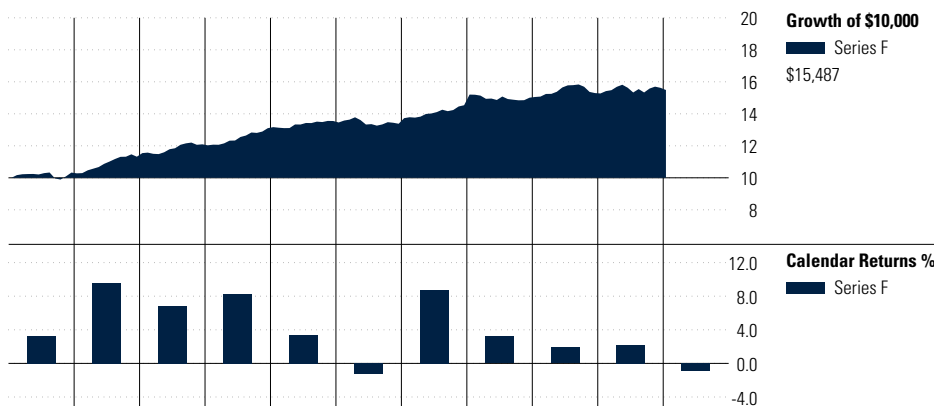
	% Fixed Income
Government Bonds	70.4
Corporate Bonds	26.1
Other Bonds	0.0
Mortgage Backed Securities	0.6
ST Investments (Cash & Other)	2.9
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	2.9	Under 1 year	6.2
AAA	42.8	1 - 5 Yrs	37.2
AA	28.3	5 - 10 Yrs	25.4
A	15.9	Over 10 Yrs	31.2
BBB	9.1		
Below BBB	0.4	Avg. Term to maturity (Yrs)	10.2
Mortgages	0.6	Duration (Yrs)	7.3
NR/NA	0.0	Yield to Maturity	2.7

Geographic Allocations

	% Assets
Canada	100.0
United States	0.0
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

Performance Analysis as of January 31, 2018



Year	Return %	Rank
2008	3.3	3 rd
2009	9.6	1 st
2010	6.8	1 st
2011	8.3	2 nd
2012	3.4	3 rd
2013	-1.3	2 nd
2014	8.7	1 st
2015	3.2	1 st
2016	1.9	2 nd
2017	2.2	2 nd
YTD	-0.9	4 th

Period	Return %	Rank	Trailing Return %
1 Mth	-0.9	4 th	Fund
3 Mth	-0.6	3 rd	Quartile
6 Mth	1.0	2 nd	
1 Yr	1.4	2 nd	
3 Yr	0.6	2 nd	
5 Yr	2.8	1 st	
10 Yr	4.4	1 st	
Since Incep.	4.6	—	
			No. of Funds in Category
			615

PH&N Bond Fund

Management Overview

Manager Bios

PH&N Fixed Income Team

With one of the largest bond desks in Canada consisting of over 30 investment professionals, Phillips, Hager & North Investment Management (PH&N IM) has been managing bonds since 1970 and currently manages fixed income portfolios according to strict quality and diversification guidelines. PH&N IM's strengths as a bond manager are directly related to its depth of resources – both people and technology – dedicated to the management of fixed income portfolios.

Performance Analysis Cont'd as of January 31, 2018

Distributions (\$)/Unit	YTD*	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Distributions	—	0.26	0.40	0.57	0.34	0.32	0.47	0.41	0.51	0.52	0.42
Interest	—	0.26	0.27	0.30	0.30	0.30	0.32	0.35	0.39	0.44	0.39
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	0.12	0.26	0.04	0.02	0.14	0.06	0.12	0.09	0.03
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	10-2009	14.4	10-2011	9.0	7-2012	6.8	6-2017	4.9
Worst	9-2017	-3.2	1-2018	0.6	9-2017	2.6	1-2018	4.4
Average		4.8		5.1		4.9		4.7
No. of Periods		116		92		68		8
Pct. Positive		87.9		100.0		100.0		100.0

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

Quarterly Commentary as at December 31, 2017

The combination of lower Government of Canada bond yields and credit-spread compression resulted in strong positive absolute returns for the Fund during the fourth quarter. The Fund was positioned with a duration profile in line with that of the benchmark for much of the quarter as yields trended lower. This positioning was adjusted to be moderately shorter than the benchmark in December, benefiting the Fund modestly when yields retraced somewhat on the back of improving economic data, prompting a more optimistic tone from the BoC. However, the Fund's yield curve positioning detracted slightly resulting from an overweight to the short end of the yield curve and underweight to the long end in an environment where longer-term bonds outperformed shorter-term bonds. Overall, interest-rate anticipation strategies were neutral to relative performance.

We continue to have a cautious view on provincial

and corporate bonds. We reduced the Fund's exposure to provincial bonds during the quarter and used the proceeds to add to holdings in Canada Housing Trust bonds, which are fully guaranteed by the federal government. The Fund is positioned with a small underweight exposure to corporate bonds with a bias toward higher-quality, less-cyclical issuers. We would like to see better valuations (i.e., wider yield spreads) in these sectors to take more meaningful positions. In the meantime, we are content to be patient.

We also continued to engage in out-of-benchmark strategies in the Fund, including small positions in inflation-linked bonds, U.S. Treasuries and maple bonds (non-Canadian companies that issue bonds in Canada in CAD). These strategies help diversify the Fund in sectors where we see opportunities to outperform traditional Canadian bonds.

PH&N 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.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus or Fund Facts document before investing. Except as otherwise noted, the indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual fund securities are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per unit at a constant amount or that the full amount of your investment in the fund will be returned to you. The value of mutual funds change frequently and past performance may not be repeated.

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MER (%) for RBC Funds, PH&N Funds and BlueBay Funds is based on actual expenses for the half-year period, January 1 to June 30, 2017, expressed on an annualized basis.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the half-year period, April 1, to September 30, 2017, expressed on an annualized basis.

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.

The fund profile is provided for informational purposes only. Particular investments and/or trading strategies should be evaluated relative to each individual's investment objectives. The information contained in the fund profile is not, and should not be construed as, investment or tax advice. You should not act or rely on the information contained in the fund profile without seeking the advice of an appropriate professional advisor.

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). This is the Morningstar quartile ranking of Series A and F units of the Fund as of January 31, 2018.

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