

# PH&N Short Term Bond & Mortgage Fund

## Investment Objective

To provide relatively high yields and stability of capital by investing primarily in a well-diversified portfolio of short-term fixed income securities issued by Canadian governments and corporations, and first mortgages on property located in Canada.

## Fund Details

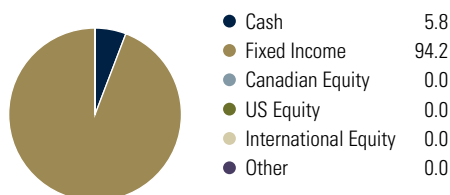
Series	Load Structure	Currency	Fund Code
F	No Load	CAD	RBF5250
Inception Date		June 2007	
Total Fund Assets \$Mil		5,616.9	
Series F NAV \$		10.41	
Series F MER %		0.54	
Series F Adjusted MER %		0.49	
Benchmark		FTSE TMX Canada Short Term Overall Bond Index	
Income Distribution		Quarterly	
Capital Gains Distribution		Annually	
Sales Status		Partially Reopen to existing unit holder	
Min. Investment \$		500	
Subsequent Investment \$		25	
Fund Category		Canadian Short Term Fixed Income	
Management Company		RBC Global Asset Management Inc.	
Web Site		www.rbcgam.com	

## 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 April 30, 2017

### Asset Mix



### Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	47.9
Corporate Bonds	36.1
Other Bonds	0.0
Mortgage Backed Securities	10.9
ST Investments (Cash & Other)	5.1
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	5.1	Under 1 year	13.1
AAA	42.1	1 - 5 Yrs	81.0
AA	18.8	5 - 10 Yrs	5.9
A	8.3	Over 10 Yrs	0.0
BBB	14.8		
Below BBB	0.0	Avg. Term to maturity (Yrs)	2.8
Mortgages	10.9	Duration (Yrs)	2.6
NR/NA	0.0	Yield to Maturity	1.5

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

### Top 10 Holdings

Top 10 Holdings	% Assets
Canada Govt 0.75% 01-05-2019	7.1
Ontario Prov Cda 4.4% 02-06-2019	4.2
Canada Hsg Tr No 1 1.25% 15-12-2020	3.0
Canada Hsg Tr No 1 1.95% 15-06-2019	2.9
Ontario Prov Cda 4.2% 02-06-2020	2.8
Canada Govt 0.5% 01-03-2022	2.5
Toronto Dominion Bank 1.68% 08-06-2021	2.4
Canada Hsg Tr No 1 1.25% 15-06-2021	2.4
Canada Govt 0.75% 01-09-2020	2.1
Canada Hsg Tr No 1 1.45% 15-06-2020	2.0
Total % of Top 10 Holdings	31.5
Total Number of Stock Holdings	0
Total Number of Bond Holdings	269
Total Number of Other Holdings	8
<b>Total Number of Holdings</b>	<b>277</b>

## Performance Analysis as of April 30, 2017



1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
0.4	0.9	0.5	1.8	2.1	2.2	—	3.3	Fund
2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	—	—	Quartile
221	214	213	209	177	121	45	—	No. of Funds in Category

# PH&N Short Term Bond & Mortgage 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 April 30, 2017

Distributions (\$)/Unit	YTD*	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Distributions	0.06	0.20	0.23	0.23	0.25	0.25	0.30	0.36	0.32	0.33	0.18
Interest	0.06	0.20	0.22	0.23	0.25	0.25	0.29	0.31	0.32	0.33	0.18
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	0.01	—	—	—	0.01	0.05	—	—	—
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	9-2009	10.2	8-2010	5.9	6-2012	4.6	—	—
Worst	2-2016	0.6	1-2017	1.9	1-2017	2.0	—	—
Average		3.3		3.2		3.1		—
No. of Periods		107		83		59		—
Pct. Positive		100.0		100.0		100.0		—

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

### Quarterly Commentary as at March 31, 2017

The Fund posted a healthy return in the first quarter, a welcome shift following the negative returns of last quarter when five-year Government of Canada bond yields doubled. This quarter, the Fund was active in interest-rate strategies, making changes to both our duration and position on the yield curve as our views shifted. But in the end, short-term yields did not change as much as expected, resulting in neutral relative performance.

The Fund's performance benefited from its credit strategies, as corporate bonds and commercial mortgages performed well. Corporate bonds have experienced a lengthy period of outperformance, of which we have become mindful, and as the quarter progressed we reduced the Fund's overweight position in this sector. In addition, we

continued to shift the corporate allocation to higher-quality issues in less cyclical industries, should the long bull market in credit reverse course.

Commercial mortgages also performed well in the quarter. With an allocation of approximately 11% in the Fund, they contributed more than their fair share of outperformance versus the benchmark. This is a difficult asset class to access for many investors, and is not included in the major bond indices and benchmarks. More importantly, these mortgages command a higher yield and tend to be less volatile than comparable investments, making them very attractive from a return and risk perspective. We intend to increase the Fund's allocation to this sector.

# PH&N Short Term Bond & Mortgage 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.

Phillips, Hager & North Investment Management (PH&N IM) is a division of RBC Global Asset Management Inc. (RBC GAM). RBC GAM is the fund manager and the principal portfolio adviser of PH&N Funds and BonaVista Funds. The principal distributor of PH&N Funds and BonaVista Funds is Phillips, Hager & North Investment Funds Ltd. (PH&NIF), which uses the trade name PH&N Investment Services. RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank of

Canada.

This document has been compiled by RBC Global Asset Management Inc. (RBC GAM) from sources believed to be reliable, but no representations or warranty, express or implied, are made by RBC GAM, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates constitute RBC GAM's judgment as of the date of this document, are subject to change without notice and are provided in good faith but without legal responsibility. The Top Ten/25 Holdings may change due to ongoing portfolio transactions within the fund. The Prospectus and other information about the underlying investment funds are available at [www.sedar.com](http://www.sedar.com).

MER (%) for RBC Funds and PH&N Funds is based on actual expenses for the full-year period, January 1 to December 31, 2016, expressed on an annualized basis.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the half-year period, April 1, 2016 to September 30, 2016, expressed on an annualized basis.

Adjusted MER is provided for funds with management fee changes effective June 30, 2016. The Adjusted MER represents what the reported MER would have been had management fee changes been in effect throughout 2016.

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.

PH&N Funds Series A formerly known as Series C.

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 April 30, 2017.

® / ™ Trademark(s) of Royal Bank of Canada. Used under licence. © RBC Global Asset Management Inc. 2017