

# 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
F	No Load	CAD	RBF5280

Inception Date	June 2007
Total Fund Assets \$Mil	4,205.6
Series F NAV \$	12.30
Series F MER %	0.88
Benchmark	FTSE TMX 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.
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Web Site	www.rbcgam.com
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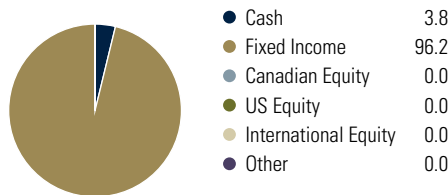
## Notes

Effective April 7, 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.

Fund's investment objective changed November 28, 2011.

## Portfolio Analysis as of May 31, 2017

### Asset Mix



### Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	0.0
Corporate Bonds	96.3
Other Bonds	0.0
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	3.7
Asset Backed Securities	0.0

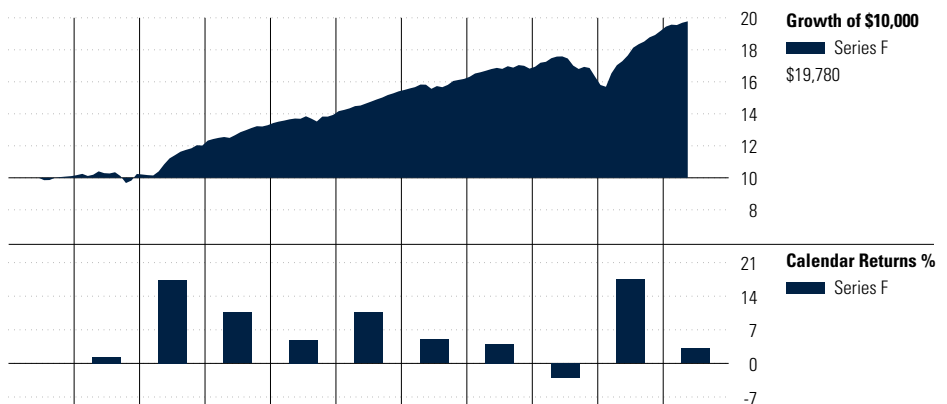
Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	3.7	Under 1 year	13.1
AAA	0.0	1 - 5 Yrs	51.0
AA	0.0	5 - 10 Yrs	34.3
A	0.0	Over 10 Yrs	1.6
BBB	3.7		
Below BBB	91.2	Avg. Term to maturity (Yrs)	4.1
Mortgages	—	Duration (Yrs)	2.5
NR/NA	1.4	Yield to Maturity	4.2

Geographic Allocations	% Assets
Canada	49.6
United States	51.7
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

### Top 10 Holdings

Top 10 Holdings	% Assets
Ngpl Pipeco 144A 7.119% 15-12-2017	8.4
Seven Generations Enrgy 0.25% 15-05-2020	6.5
Quebecor Media 144A 6.625% 15-01-2023	5.6
Baytex Enrgy 6.625% 19-07-2022	4.0
Trilogy Enrgy 144A 7.25% 13-12-2019	3.7
Northern Blizzard Resources 7.250% 01-02-2022	3.3
Teine Energy Ltd. Usd 6.875% 30-09-2022	2.7
Baytex Enrgy 6.75% 17-02-2021	2.5
Canadian Enrgy Svcs&Tech 7.375% 17-04-2020	2.5
Western Enrgy Srvc 7.875% 30-01-2019	2.4
<b>Total % of Top 10 Holdings</b>	<b>41.8</b>
<b>Total Number of Stock Holdings</b>	<b>0</b>
<b>Total Number of Bond Holdings</b>	<b>69</b>
<b>Total Number of Other Holdings</b>	<b>1</b>
<b>Total Number of Holdings</b>	<b>70</b>

## Performance Analysis as of May 31, 2017



Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	Fund Quartile
Return %	—	1.3	17.3	10.6	4.9	10.6	5.0	4.0	-3.0	17.5	3.1	Fund Quartile
Rank	—	1st	4th	3rd	2nd	3rd	2nd	2nd	3rd	1st	4th	

Period	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
Return %	0.5	1.1	4.5	14.4	5.6	6.4	—	7.1	Fund
Rank	2nd	4th	3rd	1st	1st	1st	—	—	Quartile
No. of Funds in Category	509	507	497	464	341	188	46	—	

# PH&N High Yield Bond Fund

## Management Overview

### Manager Bios

#### Hanif Mamdani

#### Phillips, Hager & North Investment Management

Hanif is Head of Alternative Investments and a member of the Asset Mix Committee at RBC Global Asset Management Inc. Hanif has expertise in corporate finance, options valuation, credit analysis and risk management. He is accountable for the portfolio strategy for all corporate bonds and for the investment strategy and performance of the PH&N High Yield Bond Fund and a multi-strategy hedge fund.

### Performance Analysis Cont'd as of May 31, 2017

Distributions (\$)/Unit	YTD*	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Distributions	0.17	0.69	0.67	0.69	0.65	0.79	0.68	0.96	0.55	0.62	0.68
Interest	0.17	0.60	0.67	0.69	0.65	0.64	0.68	0.55	0.50	0.54	0.32
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	0.09	—	—	—	0.14	—	0.40	0.05	0.08	0.36
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	2-2017	24.8	10-2011	12.6	10-2013	10.7	—	—
Worst	2-2016	-8.7	2-2016	0.2	2-2016	3.0	—	—
Average		7.5		7.4		7.4		—
No. of Periods		108		84		60		—
Pct. Positive		88.9		100.0		100.0		—

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

### Quarterly Commentary as at March 31, 2017

The high-yield market posted solid returns in the first quarter of 2017 (following a strong 2016) despite a sell-off in early March. Mid-quarter chopiness was driven by declining oil prices that affected most energy-related bonds and a full calendar of new high-yield issuance amid declining cash levels, retail outflows, and general risk aversion due to ongoing geopolitical events. By the end of March, the market had almost recouped the losses from earlier in the month and finished the quarter with a strong overall return.

March's modest spread widening left the high-yield market with an approximate 5.50% yield and an average spread of about +375 basis points. This appears fair given the generally positive economic environment, low default rates and declining Treasury yields. That said, these levels appear tight when considering growing political risks and potentially increasing interest rates.

In response to this tricky environment, we have maintained the Fund's "barbell" structure with a

large foundation of cash, near-cash substitutes and short-duration investment grade corporate bonds to provide stability and liquidity. Layered above is a core of low-beta Canadian high-yield names that are in stable, non-cyclical, non-resource industries but still provide good running yields. Finally, there are a few higher-yielding opportunistic positions (both Energy and non-Energy) that could provide some capital appreciation.

We believe this structure will provide the right balance of low interest-rate sensitivity, high liquidity, modest credit risk, and reasonable running yields and upside potential. In a potentially rising interest-rate environment, high-yield bonds – managed tactically with the right low-risk/low-duration structure — may be an effective way to remain invested in fixed income without material exposure to a much higher government bond yield curve.

# 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.

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. The principal distributor of PH&N 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.

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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 full-year period, April 1, 2017 to March 31, 2017, 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 May 31, 2017.

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