

# PH&N Total Return Bond Fund

## Investment Objective

To provide stability of capital and maximum total return by investing primarily in a well-diversified portfolio of Canadian fixed income securities and derivatives based on the value of fixed income instruments.

## Fund Details

Series	Load Structure	Currency	Fund Code
F	No Load	CAD	RBF5340

Inception Date	June 2007
Total Fund Assets \$Mil	8,557.8
Series F NAV \$	11.22
Series F MER %	0.50
Benchmark	FTSE TMX Canada Universe Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

Sales Status	Open
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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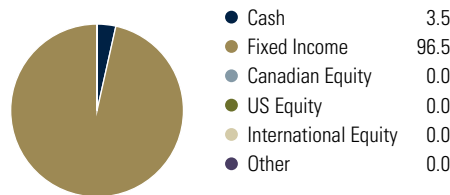
## Notes

### Top Holdings:

The holdings are shown on a look through basis whereby if the fund holds units of an RBC GAM fund, the individual holdings of that fund are shown based on their proportional ownership in the fund as a whole.

## Portfolio Analysis as of January 31, 2018

### Asset Mix



### Fixed Income Breakdown

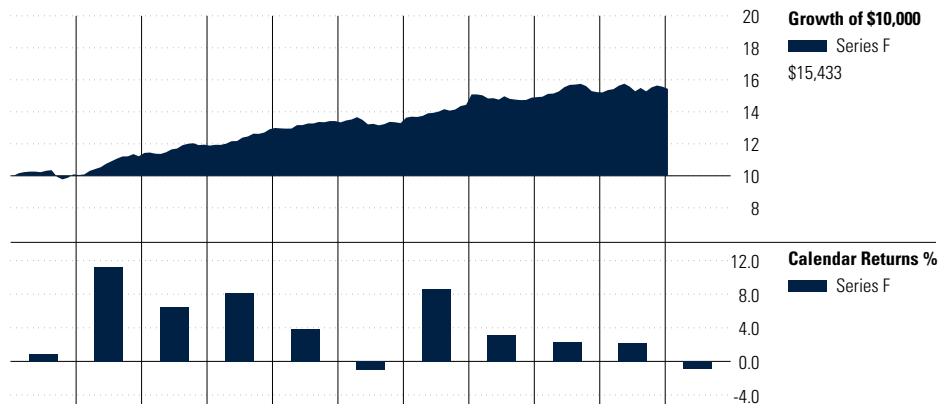
Fixed Income Category	% Fixed Income
Government Bonds	71.3
Corporate Bonds	25.1
Other Bonds	0.0
Mortgage Backed Securities	0.2
ST Investments (Cash & Other)	3.4
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	3.4	Under 1 year	5.4
AAA	42.8	1 - 5 Yrs	39.3
AA	28.5	5 - 10 Yrs	24.0
A	14.1	Over 10 Yrs	31.3
BBB	10.2		
Below BBB	0.8	Avg. Term to maturity (Yrs)	10.2
Mortgages	0.2	Duration (Yrs)	7.3
NR/NA	0.0	Yield to Maturity	2.6

### Geographic Allocations

Geographic Allocation	% 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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	Fund Quartile
	0.9	11.2	6.5	8.1	3.9	-1.0	8.6	3.1	2.3	2.2	-0.9	4 <sup>th</sup>
		1 <sup>st</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	4 <sup>th</sup>	

Period	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
	-0.9	-0.6	1.0	1.5	0.8	3.0	4.4	4.6	Fund
	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	—	Quartile
	615	609	603	592	468	374	151	—	No. of Funds in Category

# PH&N Total Return 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	—	0.29	0.45	0.53	0.38	0.47	0.38	0.47	0.57	0.61	0.35
Interest	—	0.29	0.31	0.32	0.33	0.38	0.38	0.43	0.40	0.51	0.35
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	0.14	0.21	0.05	0.09	—	0.04	0.17	0.10	—
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	11-2009	14.9	1-2012	8.9	7-2012	6.6	6-2017	4.9
Worst	9-2017	-3.0	1-2018	0.8	9-2017	2.7	1-2018	4.4
Average		4.8		5.1		4.9		4.7
No. of Periods		116		92		68		8
Pct. Positive		87.1		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 PH&N Total Return Bond 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 Bank of Canada. 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. The reward for risk associated with high-yield bonds continued to look unappealing and the Fund retained a zero weight as a result. 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 Total Return 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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