

# 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
A	No Load	CAD	RBF7110
Adv	Front End	CAD	RBF6110
Adv	Low Load	CAD	RBF4110

Inception Date	November 2008
Total Fund Assets \$Mil	9,671.1
Series A NAV \$	10.18
Series A MER %	1.05
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	Canadian Fixed Income
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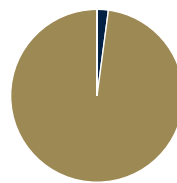
Management Company	RBC Global Asset Management Inc.
Web Site	www.rbcgam.com

## 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 May 31, 2018

### Asset Mix



	% Assets
Cash	2.1
Fixed Income	97.9
Canadian Equity	0.0
US Equity	0.0
International Equity	0.0
Other	0.0

### Fixed Income Breakdown

	% Fixed Income
Government Bonds	69.3
Corporate Bonds	27.2
Other Bonds	1.2
Mortgage Backed Securities	0.4
ST Investments (Cash & Other)	1.9
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	1.9	Under 1 year	7.3
AAA	42.9	1 - 5 Yrs	34.5
AA	29.2	5 - 10 Yrs	25.9
A	15.7	Over 10 Yrs	32.3
BBB	9.5		
Below BBB	0.4	Avg. Term to maturity (Yrs)	10.4
Mortgages	0.4	Duration (Yrs)	7.5
NR/NA	0.0	Yield to Maturity	2.6

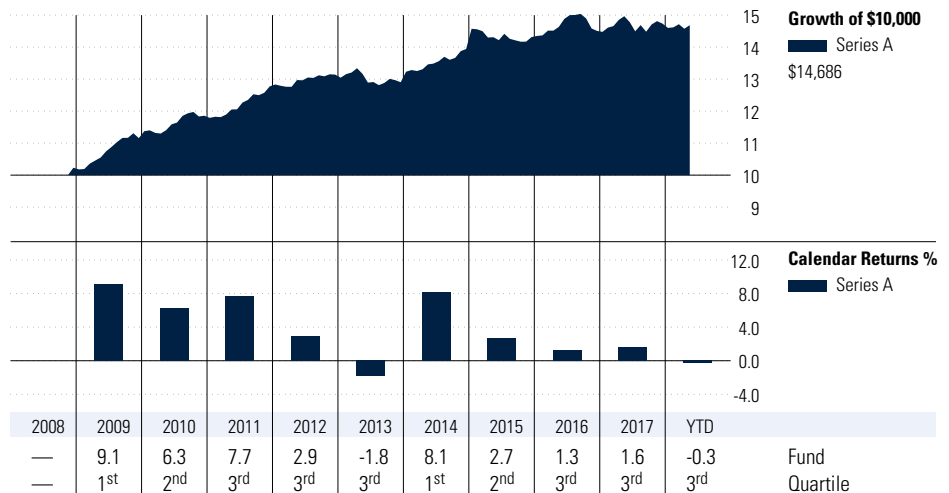
### Geographic Allocations

	% Assets
Canada	98.8
United States	1.2
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

### Top 10 Holdings

	% Assets
Canada (Government of) 1.75% 01-03-2023	4.1
Canada Hsg Tr No 1 2.4% 15-12-2022	3.1
Canada (Government of) 0.75% 01-03-2021	2.9
Canada (Government of) 0.75% 01-09-2021	2.7
Ontario (Province Of) 6.2% 02-06-2031	2.7
Ontario (Province Of) 3.5% 02-06-2043	2.6
Canada (Government of) 2.75% 01-12-2048	2.6
Canada (Government of) 1.5% 01-06-2026	2.3
Ontario (Province Of) 5.6% 02-06-2035	2.3
Canada Hsg Tr No 1 1.75% 15-06-2022	2.1
<b>Total % of Top 10 Holdings</b>	<b>27.6</b>
Total Number of Stock Holdings	0
Total Number of Bond Holdings	354
Total Number of Other Holdings	5
<b>Total Number of Holdings</b>	<b>359</b>

## Performance Analysis as of May 31, 2018



	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
	0.8	0.5	-0.8	-1.9	0.9	2.2	—	4.1	Fund
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	—	—	Quartile
	497	496	487	480	389	318	146	—	No. of Funds in Category

# 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 May 31, 2018

Distributions (\$)/Unit	YTD*	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Distributions	0.06	0.21	0.34	0.51	0.28	0.27	0.41	0.35	0.47	0.49	0.04
Interest	0.06	0.21	0.21	0.24	0.24	0.24	0.26	0.29	0.35	0.40	0.03
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	0.12	0.27	0.04	0.02	0.14	0.06	0.12	0.09	0.01
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	11-2009	13.1	1-2012	8.0	2-2014	5.4	—	—
Worst	9-2017	-3.7	1-2018	0.1	4-2018	1.8	—	—
Average		3.9		3.9		3.7		—
No. of Periods		103		79		55		—
Pct. Positive		83.5		100.0		100.0		—

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

### Quarterly Commentary as at March 31, 2018

Interest rates were volatile over the quarter and the Fund's interest-rate positioning worked well to take advantage of it. The Fund began the quarter with a modestly shorter maturity than the benchmark in anticipation of rising yields. After yields rose meaningfully in the first half of the quarter on the back of better-than-expected economic data and the resulting rate hike from the Bank of Canada, we increased the Fund's maturity to slightly longer than that of the benchmark. At that time, our view was that the bond market did not properly reflect more recent pessimistic economic data and that bond yields would likely fall in response. This expectation was subsequently realized.

We increased the Fund's exposure to provincial bonds during the quarter as provincial spreads widened, making them more attractive to buy. Nonetheless, we continue to prefer government-agency bonds, specifically Canada Housing Trust

No. 1 bonds, which are fully guaranteed by the federal government. We continue to have a cautious view on corporate bonds and have maintained a close-to-neutral position relative to the benchmark during the quarter, 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 Canadian dollars). These strategies help to 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 full year period, January 1 to December 31, 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 May 31, 2018.

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