

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
A	No Load	CAD	RBF7280
Adv	Front End	CAD	RBF6280
Adv	Low Load	CAD	RBF4280

Inception Date	November 2008
Total Fund Assets \$Mil	3,979.9
Series A NAV \$	11.90
Series A MER %	1.43
Benchmark	FTSE 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.
Web Site	www.rbcgam.com

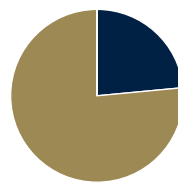
Notes

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 August 31, 2018

Asset Mix



	% Assets
Cash	23.5
Fixed Income	76.5
Canadian Equity	0.0
US Equity	0.0
International Equity	0.0
Other	0.0

Fixed Income Breakdown

	% Fixed Income
Government Bonds	1.3
Corporate Bonds	77.2
Other Bonds	0.0
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	21.5
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	21.5	Under 1 year	23.4
AAA	1.3	1 - 5 Yrs	59.4
AA	0.0	5 - 10 Yrs	15.6
A	0.0	Over 10 Yrs	1.6
BBB	5.9		
Below BBB	71.3	Avg. Term to maturity (Yrs)	3.5
Mortgages	0.0	Duration (Yrs)	2.2
NR/NA	0.0	Yield to Maturity	4.1

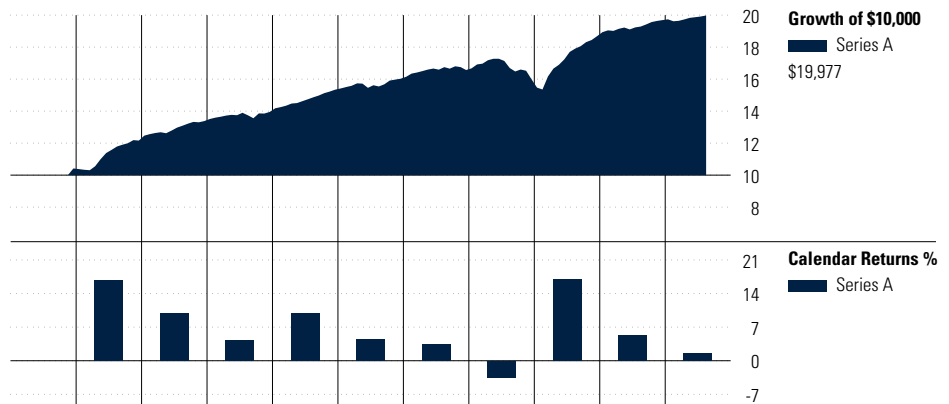
Geographic Allocations

	% Assets
Canada	37.3
United States	62.7
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

Top 10 Holdings

	% Assets
Neptune Finco Corp 10.12% 15-01-2023	8.0
Seven Generations Engy 6.75% 01-05-2023	6.0
Quebecor Media Inc. 6.62% 15-01-2023	5.8
Icahn Enterprises Lp 6.25% 01-08-2020	5.3
Baytex Energy Corp 6.62% 19-07-2022	4.1
Teine Energy Ltd. Usd 6.875% 30-09-2022	3.8
Enbridge Incorporation 5.38% 27-09-2077	3.4
Trilogy Intl Partners 8.875% 01-05-2022	3.1
Baytex Engy 6.75% 17-02-2021	2.7
Baytex Energy Corp 5.62% 01-06-2024	2.1
Total % of Top 10 Holdings	44.3
Total Number of Stock Holdings	0
Total Number of Bond Holdings	47
Total Number of Other Holdings	3
Total Number of Holdings	50

Performance Analysis as of August 31, 2018



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	Fund Quartile
Calendar Returns %	—	16.7 4 th	10.0 3 rd	4.3 2 nd	10.0 3 rd	4.5 3 rd	3.4 2 nd	-3.5 3 rd	16.9 1 st	5.4 2 nd	1.5 2 nd	

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
	0.3	0.7	1.8	3.6	6.2	5.1	—	7.4	Fund
	3 rd	3 rd	1 st	1 st	1 st	1 st	—	—	Quartile
	444	444	440	427	297	196	46	—	No. of Funds in Category

PH&N High Yield Bond Fund

Management Overview

Manager Bios

Hanif Mamdani

Phillips, Hager & North Investment Management

Hanif Mamdani is Head of Alternative Investments and is lead manager of a high yield bond strategy, a multi-strategy hedge fund, and a proprietary multi-strategy hedge fund-of-funds solution. He is also a member of the Asset Mix Committee and the RBC GAM Investment Strategy Committee. Hanif holds a master's degree from Harvard University and a bachelor's degree with honours from the California Institute of Technology.

Performance Analysis Cont'd as of August 31, 2018

Distributions (\$)/Unit	YTD*	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Distributions	0.27	0.81	0.62	0.60	0.62	0.58	0.73	0.62	0.91	0.48	0.10
Interest	0.27	0.51	0.53	0.60	0.62	0.58	0.58	0.62	0.51	0.44	0.04
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	0.30	0.09	—	—	—	0.14	—	0.41	0.05	0.07
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	2-2017	24.1	3-2012	11.6	11-2013	9.8	—	—
Worst	2-2016	-9.3	2-2016	-0.3	2-2016	2.5	—	—
Average		7.1		6.0		5.9		—
No. of Periods		106		82		58		—
Pct. Positive		89.6		98.8		100.0		—

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

Quarterly Commentary as at June 30, 2018

Global economic growth and sound corporate earnings reports helped to decrease volatility in the broad high-yield market following a challenging first quarter, though pockets of instability remained. Market uncertainty arose from several points, including escalating threats to global trade and the current geopolitical climate. A notable challenge to fixed-income markets came from central bank policy normalization, which contributed to rising government bond yields and lowered returns. The Fund's unique portfolio structure allowed it to outperform its benchmark as well as the broader U.S. high-yield market.

High-yield bond yields and spreads moved in a narrow range and ended the quarter near where they began at 6.7% and 3.4% respectively. These levels appear low to us and leave prices fairly vulnerable, particularly if we are in the late stages of an extended credit cycle as several indicators

and many market watchers suggest.

In response to this challenging environment, we have reduced risk in the Fund by increasing allocation to cash and near-cash substitutes, reducing the Fund's duration and increasing credit quality. We continue to hold good core positions with decent running yield and we believe that our unique portfolio structure and opportunistic approach to managing credit risk will provide reasonable risk-adjusted returns over the admittedly tricky phase of the credit cycle that may be approaching. Despite our caution about the overall high-yield asset class at this stage of the cycle, we believe that high-yield bonds managed tactically to provide a low-risk and low-duration profile may offer an effective route to remaining invested in fixed income with decreased exposure to a 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.

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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, 2018, 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, 2018.

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 July 31, 2018.

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