

# 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
A	No Load	CAD	RBF7340
Adv	Front End	CAD	RBF6340
Adv	Low Load	CAD	RBF4340

Inception Date	November 2008
Total Fund Assets \$Mil	8,722.5
Series A NAV \$	11.19
Series A MER %	1.05
Benchmark	FTSE 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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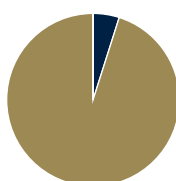
## Notes

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 August 31, 2018

### Asset Mix



	% Assets
Cash	4.9
Fixed Income	95.1
Canadian Equity	0.0
US Equity	0.0
International Equity	0.0
Other	0.0

### Fixed Income Breakdown

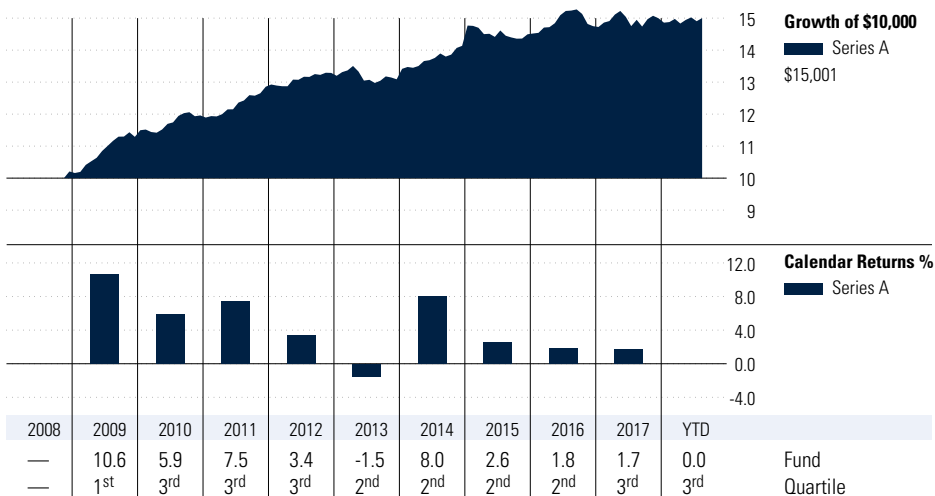
	% Fixed Income
Government Bonds	63.3
Corporate Bonds	31.7
Other Bonds	0.9
Mortgage Backed Securities	0.2
ST Investments (Cash & Other)	3.9
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	3.9	Under 1 year	6.8
AAA	33.7	1 - 5 Yrs	37.3
AA	33.0	5 - 10 Yrs	22.8
A	15.9	Over 10 Yrs	33.1
BBB	12.4		
Below BBB	0.9	Avg. Term to maturity (Yrs)	10.3
Mortgages	0.2	Duration (Yrs)	7.4
NR/NA	0.0	Yield to Maturity	2.8

### Geographic Allocations

	% Assets
Canada	96.3
United States	3.7
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

## Performance Analysis as of August 31, 2018



	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
	0.7	0.4	0.8	0.4	1.3	2.9	—	4.2	Fund
	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	—	—	Quartile
	506	504	499	482	391	320	142	—	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 August 31, 2018

Distributions (\$)/Unit	YTD*	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Distributions	0.11	0.23	0.38	0.47	0.32	0.40	0.32	0.39	0.52	0.56	—
Interest	0.11	0.23	0.24	0.25	0.27	0.31	0.32	0.35	0.35	0.46	—
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	0.14	0.22	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	14.3	1-2012	8.4	2-2014	5.7	—	—
Worst	9-2017	-3.5	1-2018	0.2	4-2018	1.9	—	—
Average		4.0		3.9		3.8		—
No. of Periods		106		82		58		—
Pct. Positive		83.0		100.0		100.0		—

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

### Quarterly Commentary as at June 30, 2018

Our tactical duration positioning was the primary driver of positive relative returns during the quarter. An overarching theme of central bank policy normalization drove bond yields higher through the first half of the quarter. We initiated a tactical long duration positioning during this time based on our view that yields rose too quickly in a relatively short time frame and would likely retract. This position proved to be advantageous when Italian political uncertainty came to the forefront in late May, coupled with an escalating trade war, which created increasing demand for the safety of bonds. We took this opportunity to solidify profits and trim back our duration position, ending the quarter modestly shorter than that of the benchmark.

We decreased the Fund's exposure to provincial bonds, ending the quarter slightly underweight. We continue to have a preference of government agency bonds, specifically Canada Housing Trust 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. The reward-for-risk associated with high-yield bonds continued to look unappealing and the Fund retained 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 Canadian dollars). These strategies help diversify the Fund in sectors where we see opportunities to outperform traditional Canadian bonds.

# PH&N Total Return Bond Fund

## Disclosure

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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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