RBC $U.S. High Yield Bond Fund

Investment Objective
To provide total returns comprised of interest income and modest capital growth. The fund invests primarily in higher yielding corporate debt securities issued by U.S. corporations.

Fund Details
Series A
- Load Structure: No Load
- Currency: USD
- Fund Code: RBF483
- Inception Date: October 2013
- Total Fund Assets $Mil: 130.1
- Series A NAV $: 9.61
- Series A MER %: 1.46
- Benchmark: ICE BofA Merrill Lynch U.S. High Yield BB-B Index (USD)
- Inception Date: October 2013
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Income Distribution: Quarterly
Capital Gains Distribution: Annually
Sales Status: Open
Min. Investment $: 500
Subsequent Investment $: 25
Fund Category: High Yield Fixed Income
Management Company: RBC Global Asset Management Inc.
Web Site: www.rbcgam.com

Portfolio Analysis as of September 30, 2019

Asset Mix
- Cash: 6.3%
- Fixed Income: 93.7%
- Canadian Equity: 0.0%
- US Equity: 0.0%
- International Equity: 0.0%
- Other: 0.0%

Fixed Income Breakdown
- Government Bonds: 1.2%
- Corporate Bonds: 92.4%
- Other Bonds: 0.0%
- Mortgage Backed Securities: 0.0%
- ST Investments (Cash & Other): 6.4%
- Asset Backed Securities: 0.0%

Bond Rating
- Cash / Cash Equiv.: 6.4%
- AAA: 1.2%
- AA: 0.0%
- A: 0.0%
- BBB: 2.5%
- Below BBB: 89.9%
- Mortgages: 0.0%
- NR/NA: 0.0%

Term to Maturity
- Under 1 year: 32.9%
- 1 - 5 Yrs: 64.0%
- Over 10 Yrs: 3.1%
- Avg. Term to maturity (Yrs): 6.4
- Duration (Yrs): 2.9
- Yield to Maturity: 5.2

Geographic Allocations
- % Assets
  - Canada: 5.5%
  - United States: 93.6%
  - International (ex-Emerging Markets): 0.8%
  - Emerging Markets: 0.0%

Performance Analysis as of September 30, 2019

Top 25 Holdings
- % Assets
  - Cco Hlds Cap 144A 5.75% 15-02-2026: 2.3
  - Sprint Capital Corp 6.88% 15-11-2028: 2.0
  - CenturyLink, Inc. 7.5% 01-04-2024: 1.8
  - CSC Holdings, LLC 5.5% 15-04-2027: 1.7
  - Seven Generations Energy 5.38% 30-09-2025: 1.6
  - Tenet Healthcare Corp 4.62% 15-07-2024: 1.5
  - Avis Budget Car Rental LLC 15-03-2025: 1.4
  - Vistra Operations Co LLC 5.5% 01-09-2026: 1.4
  - Blue Racer Midstream 6.125% 15-07-2026: 1.3
  - Albertsons Comp LLC. 6.62% 15-06-2024: 1.3
  - United Rental North Am 5.88% 15-09-2026: 1.2
  - Post Holdings Inc. 5.75% 01-03-2027: 1.2
  - US Treasury Notes 2.38% 15-05-2029: 1.2
  - Altice Financing S.A. 6.62% 15-02-2023: 1.1
  - Lennar Corporation 5.25% 01-06-2028: 1.1
  - Enbridge Incorporation 5.5% 15-07-2077: 1.0
  - Wynn Las Vegas Llc /144A 5.5% 15-06-2027: 1.0
  - Unit Corporation 6.62% 15-05-2021: 1.0
  - Alcoa Nederland Hldg 6.75% 30-09-2024: 1.0
  - Dell Intl Ltd. and EMC C 6.02 15-06-2026: 1.0
  - Parkland Fuel Corp 5.62% 09-05-2025: 0.9
  - Ford Motor Credit Co LLC 5.67% 07-01-2022: 0.9
  - International Game Tech 6.5% 15-02-2029: 0.9
  - NRG Energy, Inc. 5.25% 15-06-2029: 0.9

Total % of Top 25 Holdings: 32.0
Total Number of Stock Holdings: 11
Total Number of Bond Holdings: 836
Total Number of Other Holdings: 17
Total Number of Holdings: 864

Growth of $10,000
Series A: $12,778
Calendar Returns
Series A: 12.5
Fund Quartile: 1st

Trailing Return
- %
  - Fund: since inception: 19.4
  - Quartile: 1st
- No. of Funds in Category: 20

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RBC $U.S. High Yield Bond Fund

Management Overview

**Manager Bios**

**Frank Gambino**
*RBC Global Asset Management Inc.*
Frank Gambino is Vice President and Senior Portfolio Manager, Global Fixed Income and Currencies. He has been in the investment industry since 1990.

**Stephen Notidis**
*RBC Global Asset Management Inc.*
Stephen Notidis is Portfolio Manager, Global Fixed Income and Currencies. He has been in the investment industry since 1995.

**Performance Analysis Cont’d as of September 30, 2019**

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<tr>
<td>Total Distributions</td>
<td>0.30</td>
<td>0.50</td>
<td>0.34</td>
<td>0.55</td>
<td>0.63</td>
<td>0.40</td>
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<td>Interest</td>
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<td>Dividends</td>
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<td>Capital Gains</td>
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<td>Return Of Capital</td>
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<th>Best/Worst Periods %</th>
<th>Ended</th>
<th>1 Yr</th>
<th>Ended</th>
<th>3 Yr</th>
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<th>5 Yr</th>
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<th>10 Yr</th>
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<td>Worst</td>
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<td>6.3</td>
<td>5-2018</td>
<td>3.4</td>
<td>12-2018</td>
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<td>Average</td>
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<td>3.5</td>
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<td>No. of Periods</td>
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<td>36</td>
<td>12</td>
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<td>Pct. Positive</td>
<td>76.7</td>
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* Distributions are characterized into income type at year-end.

**Commentary as at September 30, 2019**

U.S. High Yield bonds posted modest positive returns in the third quarter. Two key themes continue to dominate: slowing global economic growth, and the ongoing trade tensions between the United States and China. Central Banks, including the U.S. Federal Reserve (Fed) have responded to slowing growth by remaining accommodative, and the result has been a drop in yields, and a pick-up in volatility in both equity and fixed income markets. During the quarter there was a significant move lower in U.S. government bond yields as investors sought a safe-haven from the mixed macroeconomic backdrop and intensifying protectionist actions, which helped the performance of fixed income assets. While credit spreads, which had widened significantly during the quarter, ended essentially unchanged, there was a wide bifurcation in performance as the higher quality parts of the HY market significantly outperformed the lowest rated credits. Increased stress in the Energy sector resulted in a rising number of corporate defaults, while the broad market remained mostly unaffected.

The fund was positively impacted by its exposure to specific issuers in the Energy and Leisure sectors, while the fund was negatively impacted by its underweight exposure to the Media and Financial Services sectors.

We continue to believe that we are in the later stages of the credit cycle. Defaults are climbing, but remain concentrated in the Energy sector. Valuations are not exceptionally compelling at this point, and economic growth concerns remain. However, a global hunt for yield could continue to support returns. We expect moderate returns in the near term, and therefore maintain our guarded outlook and remain conservatively positioned with our higher quality high yield portfolio.
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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.

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MER (%) for RBC Funds, PH&N Funds and BlueBay Funds is based on actual expenses for the preceding calendar year or most recent half-year period ended June 30 expressed on an annualized basis, depending on availability of data at the time of publication.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the preceding full year period ended March 31 or half-year period ended September 30 expressed on an annualized basis, depending on availability of data at the time of publication.

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