



# RBC High Yield Bond Fund

## Investment Objective

To provide a high level of income with the potential for modest capital growth. The fund invests primarily in higher yielding corporate debt securities issued by Canadian and U.S. corporations.

## Fund Details

| Series | Load Structure | Currency | Fund Code |
|--------|----------------|----------|-----------|
| A      | No Load        | CAD      | RBF496    |
| Adv    | Deferred Sales | CAD      | RBF896    |
| Adv    | Front End      | CAD      | RBF796    |
| Adv    | Low Load       | CAD      | RBF096    |

|                         |                                     |
|-------------------------|-------------------------------------|
| Inception Date          | October 2010                        |
| Total Fund Assets \$Mil | 1,930.1                             |
| Series A NAV \$         | 10.82                               |
| Series A MER %          | 1.43                                |
| Benchmark               | FTSE TMX Canada Universe Bond Index |

|                            |           |
|----------------------------|-----------|
| Income Distribution        | Quarterly |
| Capital Gains Distribution | Annually  |

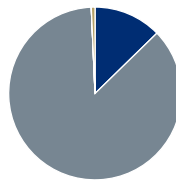
|                          |      |
|--------------------------|------|
| Sales Status             | Open |
| Min. Investment \$       | 500  |
| Subsequent Investment \$ | 25   |

|               |                         |
|---------------|-------------------------|
| Fund Category | High Yield Fixed Income |
|---------------|-------------------------|

|                    |                                  |
|--------------------|----------------------------------|
| Management Company | RBC Global Asset Management Inc. |
| Web Site           | www.rbcgam.com                   |

## Portfolio Analysis as of December 31, 2017

### Asset Mix



|                      | % Assets |
|----------------------|----------|
| Cash                 | 12.7     |
| Fixed Income         | 86.6     |
| Canadian Equity      | 0.0      |
| US Equity            | 0.0      |
| International Equity | 0.0      |
| Other                | 0.7      |

### Top 25 Holdings

|  | % Assets     |
|--|--------------|
| Videotron Ltee 5.75% 15-01-2026          | 2.1          |
| Hca 5.875% 15-02-2026                    | 1.8          |
| Hanesbrands 144A 4.875% 15-05-2026       | 1.6          |
| Cco Hldgs LLC /Cap 144A 5.75% 15-02-2026 | 1.5          |
| Diamond 1 Fin Corp 6.02% 15-06-2026      | 1.4          |
| Equinix 5.875% 15-01-2026                | 1.3          |
| Arcelormittal Luxembourg 7% 15-10-2039   | 1.3          |
| Calatlantic Grp 5.25% 01-06-2026         | 1.3          |
| Vermilion Engy 144A 5.625% 15-03-2025    | 1.3          |
| Adient Global Hldgs 4.875% 15-08-2026    | 1.2          |
| Csc Hldgs 144A 5.5% 15-04-2027           | 1.2          |
| Ineos Fin 4% 01-05-2023                  | 1.1          |
| Boyd Gaming 6.375% 01-04-2026            | 1.1          |
| Seven Generations Engy 5.375% 30-09-2025 | 1.1          |
| T Mobile Usa 6.625% 01-04-2023           | 1.0          |
| Six Flags Entmt Corp 5.5% 15-04-2027     | 1.0          |
| Goodyear Tire & Rubr 5% 31-05-2026       | 1.0          |
| Alcoa Nederland Hldg 6.75% 30-09-2024    | 1.0          |
| Ncr Corp New 5% 15-07-2022               | 1.0          |
| Universal Hlth Svcs 4.75% 01-08-2022     | 1.0          |
| Fmg Resources 5.125% 15-05-2024          | 1.0          |
| Wynn Las Vegas Llc 5.25% 15-05-2027      | 1.0          |
| Superior Plus 5.25% 27-02-2024           | 1.0          |
| Targa Res Partners 5% 15-01-2028         | 1.0          |
| Scripps E W Co Ohio 5.125% 15-05-2025    | 1.0          |
| Total % of Top 25 Holdings               | 30.1         |
| Total Number of Stock Holdings           | 2            |
| Total Number of Bond Holdings            | 1,304        |
| Total Number of Other Holdings           | 15           |
| <b>Total Number of Holdings</b>          | <b>1,321</b> |

### Fixed Income Breakdown

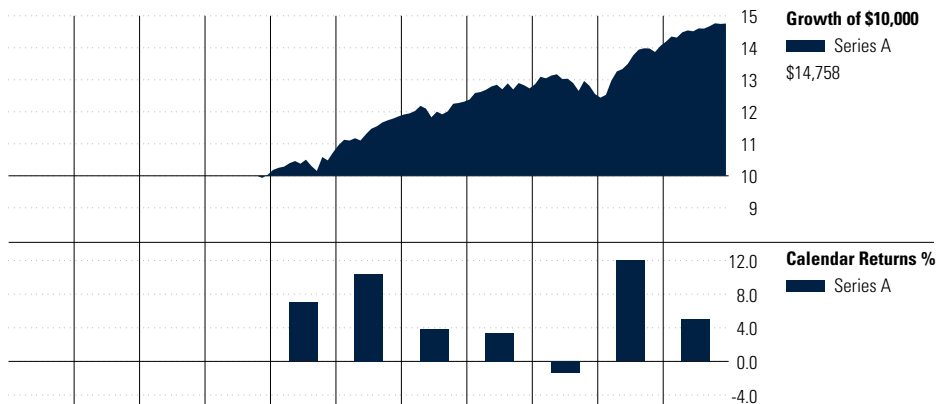
|                               | % Fixed Income |
|-------------------------------|----------------|
| Government Bonds              | 0.0            |
| Corporate Bonds               | 87.0           |
| Other Bonds                   | 0.0            |
| Mortgage Backed Securities    | 0.0            |
| ST Investments (Cash & Other) | 13.0           |
| Asset Backed Securities       | 0.0            |

| Bond Rating        | %    | Term to Maturity            | %    |
|--------------------|------|-----------------------------|------|
| Cash / Cash Equiv. | 13.0 | Under 1 year                | 0.8  |
| AAA                | 0.0  | 1 - 5 Yrs                   | 16.7 |
| AA                 | 0.0  | 5 - 10 Yrs                  | 76.6 |
| A                  | 0.1  | Over 10 Yrs                 | 5.9  |
| BBB                | 10.8 |                             |      |
| Below BBB          | 76.1 | Avg. Term to maturity (Yrs) | 6.2  |
| Mortgages          | 0.0  | Duration (Yrs)              | 3.8  |
| NR/NA              | 0.0  | Yield to Maturity           | 4.3  |

### Geographic Allocations

|                                     | % Assets |
|-------------------------------------|----------|
| Canada                              | 13.5     |
| United States                       | 85.2     |
| International (ex-Emerging Markets) | 1.3      |
| Emerging Markets                    | 0.0      |

## Performance Analysis as of December 31, 2017



| Year     | 2007 | 2008 | 2009 | 2010 | 2011            | 2012            | 2013            | 2014            | 2015            | 2016            | 2017            |          |
|----------|------|------|------|------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------|
| Return % | —    | —    | —    | —    | 7.0             | 10.4            | 3.9             | 3.4             | -1.4            | 12.0            | 5.0             | Fund     |
| Quartile | —    | —    | —    | —    | 1 <sup>st</sup> | 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 |

|                          | 1 Mth           | 3 Mth           | 6 Mth           | 1 Yr            | 3 Yr            | 5 Yr            | 10 Yr | Since Incep. | Trailing Return %        |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------|--------------|--------------------------|
| Series A                 | 0.1             | 0.6             | 1.7             | 5.0             | 5.0             | 4.5             | —     | 5.6          | Fund                     |
| Category                 | 2 <sup>nd</sup> | 3 <sup>rd</sup> | 2 <sup>nd</sup> | 2 <sup>nd</sup> | 2 <sup>nd</sup> | 2 <sup>nd</sup> | —     | —            | Quartile                 |
| No. of Funds in Category | 587             | 565             | 560             | 487             | 352             | 242             | 48    | —            | No. of Funds in Category |



# RBC 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 December 31, 2017

| Distributions (\$)/Unit | 2017* | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------------|-------|------|------|------|------|------|------|------|------|------|------|
| Total Distributions     | 0.38  | 0.39 | 0.46 | 0.49 | 0.48 | 0.57 | 0.51 | 0.07 | —    | —    | —    |
| Interest                | 0.38  | 0.39 | 0.46 | 0.49 | 0.48 | 0.46 | 0.51 | 0.05 | —    | —    | —    |
| Dividends               | —     | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    |
| Capital Gains           | —     | —    | —    | —    | —    | 0.11 | —    | 0.03 | —    | —    | —    |
| Return Of Capital       | —     | —    | —    | —    | —    | —    | —    | —    | —    | —    | —    |

| Best/Worst Periods % | Ended  | 1 Yr | Ended  | 3 Yr  | Ended  | 5 Yr  | Ended | 10 Yr |
|----------------------|--------|------|--------|-------|--------|-------|-------|-------|
| Best                 | 9-2012 | 14.9 | 9-2014 | 7.7   | 9-2016 | 6.6   | —     | —     |
| Worst                | 2-2016 | -4.3 | 1-2016 | 1.4   | 1-2016 | 4.1   | —     | —     |
| Average              |        | 5.8  |        | 5.0   |        | 5.1   |       | —     |
| No. of Periods       |        | 75   |        | 51    |        | 27    |       | —     |
| Pct. Positive        |        | 92.0 |        | 100.0 |        | 100.0 |       | —     |

\* Final distribution attribution (interest, dividends, capital gains and return of capital) for 2017 will be reflected with January month-end profiles.

### Quarterly Commentary as at December 31, 2017

During Q4, U.S. high yield bonds had a modest positive return, but underperformed higher quality Canadian investment grade securities. The Canadian bond market benefitted from falling government bond yields compared to the U.S., while the U.S. high yield market had to contend with both rising U.S. government bond yields and an increase in the premium required by investors to invest in lower rated corporate bonds. The quarter saw an increase in issuer-specific and sector specific risks, notably in the retail sub-sector and Telecommunication Services sector. Meanwhile, key supports for the high yield market remained in place. Credit conditions were benign, corporate health continued to improve slightly, the net supply of newly issued bonds remained manageable, the price of oil continued to recover and the corporate default rate remained low. The Fund maintained its overall defensive positioning during the quarter by keeping the credit quality of the Fund high, and maintaining a conservative

cash position. The Fund benefitted from its exposure to high yield bonds in general, while its conservative cash position reduced volatility but also served as a drag on performance.

Demand for yield and a healthy economic backdrop should continue to support corporate bonds. Given that central banks are beginning to lean toward tighter monetary policies, we believe that high-yield corporate bonds remain attractive relative to other fixed-income assets. However, it is likely that future returns will be lower than those experienced in the recent past as valuations become less compelling and possible headwinds emerge. This extended credit cycle may continue for a while yet. We intend to closely monitor the credit quality of the portfolio, and look to add attractively valued bonds as they become available.



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## 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 funds are not guaranteed or covered by the Canadian 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 December 31, 2017.

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