

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 | 9,615.8 |
| Series A NAV \$ | 10.14 |
| Series A MER % | 0.00 |
| 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 |
|---------------|-----------------------|

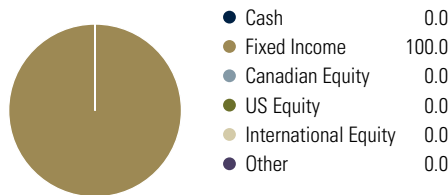
| | |
|--------------------|----------------------------------|
| Management Company | RBC Global Asset Management Inc. |
| Web Site | www.rbcgam.com |

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 September 30, 2017

Asset Mix



Fixed Income Breakdown

| Fixed Income Category | % Fixed Income |
|-------------------------------|----------------|
| Government Bonds | 71.8 |
| Corporate Bonds | 26.6 |
| Other Bonds | 1.0 |
| Mortgage Backed Securities | 0.6 |
| ST Investments (Cash & Other) | 0.0 |
| Asset Backed Securities | 0.0 |

| Bond Rating | % | Term to Maturity | % |
|--------------------|------|-----------------------------|------|
| Cash / Cash Equiv. | 0.0 | Under 1 year | 2.7 |
| AAA | 45.3 | 1 - 5 Yrs | 40.1 |
| AA | 29.0 | 5 - 10 Yrs | 27.9 |
| A | 13.4 | Over 10 Yrs | 29.3 |
| BBB | 11.2 | | |
| Below BBB | 0.5 | Avg. Term to maturity (Yrs) | 10.2 |
| Mortgages | 0.6 | Duration (Yrs) | 7.3 |
| NR/NA | 0.0 | Yield to Maturity | 2.6 |

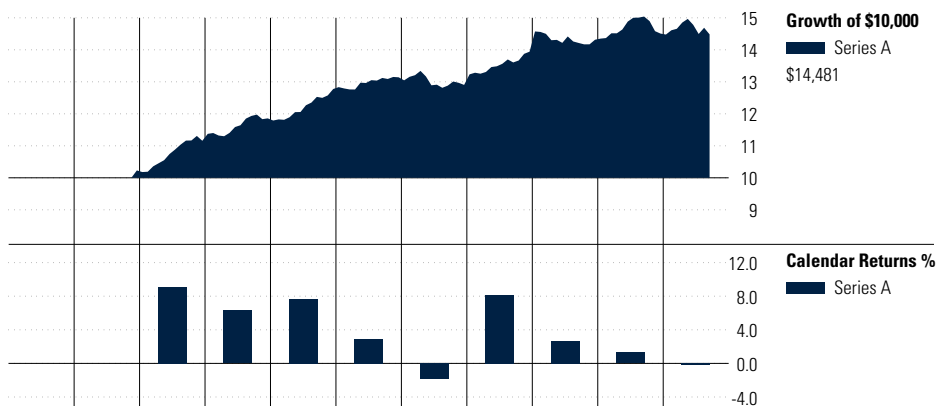
Geographic Allocations

| Geographic Allocation | % Assets |
|-------------------------------------|----------|
| Canada | 98.9 |
| United States | 1.1 |
| International (ex-Emerging Markets) | 0.0 |
| Emerging Markets | 0.0 |

Top 25 Holdings

| Top 25 Holdings | % Assets |
|--------------------------------------|------------|
| Canada Govt 0.75% 01-09-2020 | 5.1 |
| Canada Govt 1% 01-09-2022 | 3.8 |
| Canada Hsg Tr No 1 1.25% 15-06-2021 | 3.0 |
| Ontario Prov Cda 3.5% 02-06-2043 | 2.8 |
| Canada Hsg Tr No 1 1.75% 15-06-2022 | 2.7 |
| Ontario Prov Cda 6.2% 02-06-2031 | 2.6 |
| Ontario Prov Cda 3.5% 02-06-2024 | 2.6 |
| Canada Govt 2.75% 01-12-2048 | 2.5 |
| Canada Govt 3.25% 01-06-2021 | 2.4 |
| Royal Bank Of Canada 1.4% 26-04-2019 | 2.2 |
| Ontario Prov Cda 4.6% 02-06-2039 | 2.1 |
| Ontario Prov Cda 5.6% 02-06-2035 | 2.1 |
| Canada Govt 0.5% 01-03-2022 | 2.0 |
| Canada Govt 1.5% 01-06-2023 | 1.9 |
| Canada Govt 0.75% 01-03-2021 | 1.8 |
| Canada Govt 1.5% 01-06-2026 | 1.6 |
| Quebec Prov Cda 8.5% 01-04-2026 | 1.6 |
| Canada Hsg Tr No 1 2.35% 15-06-2027 | 1.6 |
| Ontario Prov Cda 8.1% 08-09-2023 | 1.5 |
| Canada Hsg Tr No 1 2.4% 15-12-2022 | 1.5 |
| Canada Govt 1.5% 01-03-2020 | 1.4 |
| Canada Govt 0.75% 01-08-2019 | 1.4 |
| Canada Hsg Tr No 1 3.35% 15-12-2020 | 1.4 |
| Ontario Prov Cda 8.5% 02-12-2025 | 1.4 |
| Canada Hsg Tr No 1 1.25% 15-12-2020 | 1.3 |
| Total % of Top 25 Holdings | 54.3 |
| Total Number of Stock Holdings | 0 |
| Total Number of Bond Holdings | 332 |
| Total Number of Other Holdings | 0 |
| Total Number of Holdings | 332 |

Performance Analysis as of September 30, 2017



| Year | Calendar Returns % | Fund Quartile |
|------|--------------------|-----------------|
| 2007 | — | — |
| 2008 | — | — |
| 2009 | 9.1 | 2 nd |
| 2010 | 6.3 | 2 nd |
| 2011 | 7.7 | 2 nd |
| 2012 | 2.9 | 3 rd |
| 2013 | -1.8 | 3 rd |
| 2014 | 8.1 | 1 st |
| 2015 | 2.7 | 2 nd |
| 2016 | 1.3 | 3 rd |
| YTD | -0.2 | 3 rd |

| Period | Trailing Return % | No. of Funds in Category |
|--------------|-------------------|--------------------------|
| 1 Mth | -1.4 | 613 |
| 3 Mth | -2.0 | 610 |
| 6 Mth | -1.2 | 603 |
| 1 Yr | -3.7 | 586 |
| 3 Yr | 2.1 | 456 |
| 5 Yr | 2.0 | 371 |
| 10 Yr | — | 149 |
| Since Incep. | 4.3 | — |

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 September 30, 2017

| Distributions (\$)/Unit | YTD* | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------------|------|------|------|------|------|------|------|------|------|------|------|
| Total Distributions | 0.17 | 0.34 | 0.51 | 0.28 | 0.27 | 0.41 | 0.35 | 0.47 | 0.49 | 0.04 | — |
| Interest | 0.17 | 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 | 9-2017 | 2.1 | 9-2017 | 2.0 | — | — |
| Average | | 4.3 | | 4.2 | | 4.0 | | — |
| No. of Periods | | 95 | | 71 | | 47 | | — |
| Pct. Positive | | 85.3 | | 100.0 | | 100.0 | | — |

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

Quarterly Commentary as at September 30, 2017

PH&N Bond Fund delivered a negative return over the quarter as Canadian interest rates increased meaningfully, largely influenced by actions from the Bank of Canada. The Fund entered the quarter cautiously positioned with a modest short-duration profile compared to its benchmark as the Fund was positioned for the increase in interest rates that occurred.

We continue to have a cautious view when it comes to provincial and corporate bonds. We reduced the Fund's overweight exposure to provincial bonds during the quarter and used the proceeds to add to holdings in Canada Housing Trust bonds, which are fully guaranteed by the federal government. The Fund is positioned with a

close-to-benchmark exposure to corporate bonds 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 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.

Phillips, Hager & North Investment Management (PH&N IM) is a division of RBC Global Asset Management Inc. (RBC GAM). RBC GAM is the fund manager and the principal portfolio adviser of PH&N Funds. The principal distributor of PH&N Funds is Phillips, Hager & North Investment Funds Ltd. (PH&NIF), which uses the trade name PH&N Investment Services. RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank of

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MER (%) for RBC Funds and PH&N Funds is based on actual expenses for the full-year period, January 1 to December 31, 2016, expressed on an annualized basis.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the full-year period, April 1, 2016 to March 31, 2017, expressed on an annualized basis.

Adjusted MER is provided for funds with management fee changes effective June 30, 2016. The Adjusted MER represents what the reported MER would have been had management fee changes been in effect throughout 2016.

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 September 30, 2017.

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