

# 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	9,573.0
Series A NAV \$	10.01
Series A MER %	1.05
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	Canadian Fixed Income
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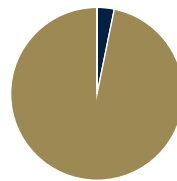
Management Company	RBC Global Asset Management Inc.
Web Site	www.rbcgam.com

## 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, 2018

### Asset Mix



	% Assets
Cash	3.2
Fixed Income	96.8
Canadian Equity	0.0
US Equity	0.0
International Equity	0.0
Other	0.0

### Fixed Income Breakdown

	% Fixed Income
Government Bonds	64.9
Corporate Bonds	31.7
Other Bonds	0.3
Mortgage Backed Securities	0.4
ST Investments (Cash & Other)	2.7
Asset Backed Securities	0.0

### Bond Rating

	%
Cash / Cash Equiv.	2.7
AAA	34.3
AA	33.3
A	17.5
BBB	11.4
Below BBB	0.4
Mortgages	0.4
NR/NA	0.0

### Term to Maturity

	%
Under 1 year	6.4
1 - 5 Yrs	37.1
5 - 10 Yrs	23.4
Over 10 Yrs	33.1
Avg. Term to maturity (Yrs)	10.4
Duration (Yrs)	7.5
Yield to Maturity	2.9

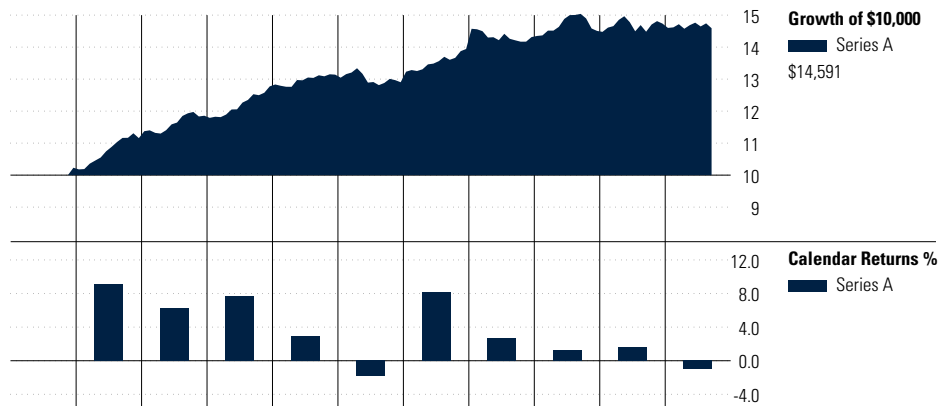
### Geographic Allocations

	% Assets
Canada	99.7
United States	0.3
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

### Top 25 Holdings

	% Assets
Canada (Government of) 2.75% 01-12-2048	3.1
Canada (Government of) 1% 01-06-2027	3.1
Canada Hsg Tr No 1 2.4% 15-12-2022	2.9
Ontario (Province Of) 6.2% 02-06-2031	2.6
Ontario (Province Of) 3.5% 02-06-2043	2.5
Ontario (Province Of) 5.6% 02-06-2035	2.3
Ontario (Province Of) 4.6% 02-06-2039	2.1
Canada (Government of) 0.75% 01-03-2021	2.1
Canada (Government of) 2% 01-06-2028	2.1
Canada Hsg Tr No 1 1.75% 15-06-2022	2.0
Canada (Government of) 1.75% 01-03-2023	1.9
Canada (Government of) 3.25% 01-06-2021	1.8
Ontario (Province Of) 2.9% 02-06-2049	1.7
Canada Hsg Tr No 1 2.35% 15-06-2023	1.7
Canada (Government of) 1.5% 01-06-2023	1.6
Ontario (Province Of) 3.5% 02-06-2024	1.5
Quebec (Province Of) 8.5% 01-04-2026	1.3
Ontario (Province Of) 8.5% 02-12-2025	1.3
Canada Hsg Tr No 1 1.5% 15-12-2021	1.2
Bank of Montreal 1.61% 28-10-2021	1.2
Ontario (Province Of) 2.6% 02-06-2025	1.1
Canada Housing Tr No.1 1.25% 15-06-2021	1.0
Canada (Government of) 1.75% 01-08-2020	1.0
Manitoba (Province of) 2.85% 05-09-2046	0.9
Quebec (Province Of) 6% 01-10-2029	0.9
<b>Total % of Top 25 Holdings</b>	<b>45.0</b>
<b>Total Number of Stock Holdings</b>	<b>0</b>
<b>Total Number of Bond Holdings</b>	<b>352</b>
<b>Total Number of Other Holdings</b>	<b>8</b>
<b>Total Number of Holdings</b>	<b>360</b>

## Performance Analysis as of September 30, 2018



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	
Calendar Returns %	—	9.1	6.3	7.7	2.9	-1.8	8.1	2.7	1.3	1.6	-1.0	Fund
	—	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	Quartile

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
Calendar Returns %	-1.0	-1.2	-0.9	0.8	0.9	2.5	—	3.9	Fund
	4 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	—	—	Quartile
No. of Funds in Category	526	518	509	495	402	331	150	—	No. of Funds in Category

# 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, 2018

Distributions (\$)/Unit	YTD*	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Distributions	0.16	0.21	0.34	0.51	0.28	0.27	0.41	0.35	0.47	0.49	0.04
Interest	0.16	0.21	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	1-2018	0.1	4-2018	1.8	—	—
Average		3.8		3.8		3.7		—
No. of Periods		107		83		59		—
Pct. Positive		83.2		100.0		100.0		—

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

### Quarterly Commentary as at September 30, 2018

The main driver of positive relative returns this quarter was our tactical duration positioning. Bond yields pushed higher throughout the third quarter as central banks continued on their path of normalizing monetary policy. We began the quarter modestly shorter in duration than the benchmark. We then further shortened our positioning as yields moved higher through July.

As interest rates tapered off through August, we reduced the relative short-duration position and moved closer to neutral relative to the benchmark. At the end of the quarter, after interest rates resumed their climb higher, we took profits. We also adjusted the Fund's duration to end the quarter slightly longer than that of the benchmark.

At the same time, we increased the Fund's exposure to provincial bonds, ending the quarter neutral. We also continue to prefer government agency bonds, specifically Canada Housing Trust bonds, which are fully guaranteed by the federal

government.

We continue to have a conservative view when it comes to corporate bonds and have maintained a close-to-neutral position relative to the benchmark during the quarter, with a bias towards higher-quality, less-cyclical issuers. We would like to see better valuations (i.e., wider yield spreads) in these sectors in order to take more meaningful positions. In the meantime, we are content to be patient.

We also continue to engage in out-of-benchmark strategies. These include 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 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.

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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 September 30, 2018.

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