

# PH&N Short Term Bond & Mortgage Fund

## Investment Objective

To provide relatively high yields and stability of capital by investing primarily in a well-diversified portfolio of short-term fixed income securities issued by Canadian governments and corporations, and first mortgages on property located in Canada.

## Fund Details

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	RBF7250
Adv	Front End	CAD	RBF6250
Adv	Low Load	CAD	RBF4250

Inception Date	November 2008
Total Fund Assets \$Mil	6,728.4
Series A NAV \$	10.12
Series A MER %	1.04
Benchmark	FTSE Canada Short Term Overall Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

Sales Status	Reopen
Min. Investment \$	500
Subsequent Investment \$	25

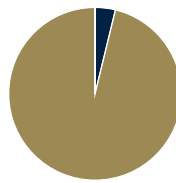
Fund Category	Canadian Short Term Fixed Income
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Management Company	RBC Global Asset Management Inc.
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Web Site	www.rbcgam.com
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## Portfolio Analysis as of September 30, 2018

### Asset Mix



	% Assets
Cash	3.8
Fixed Income	96.2
Canadian Equity	0.0
US Equity	0.0
International Equity	0.0
Other	0.0

### Fixed Income Breakdown

	% Fixed Income
Government Bonds	51.9
Corporate Bonds	40.0
Other Bonds	0.0
Mortgage Backed Securities	7.8
ST Investments (Cash & Other)	0.3
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	0.3	Under 1 year	9.4
AAA	46.8	1 - 5 Yrs	86.4
AA	16.1	5 - 10 Yrs	4.2
A	14.2	Over 10 Yrs	0.0
BBB	14.3		
Below BBB	0.5	Avg. Term to maturity (Yrs)	3.0
Mortgages	7.8	Duration (Yrs)	2.8
NR/NA	0.0	Yield to Maturity	2.7

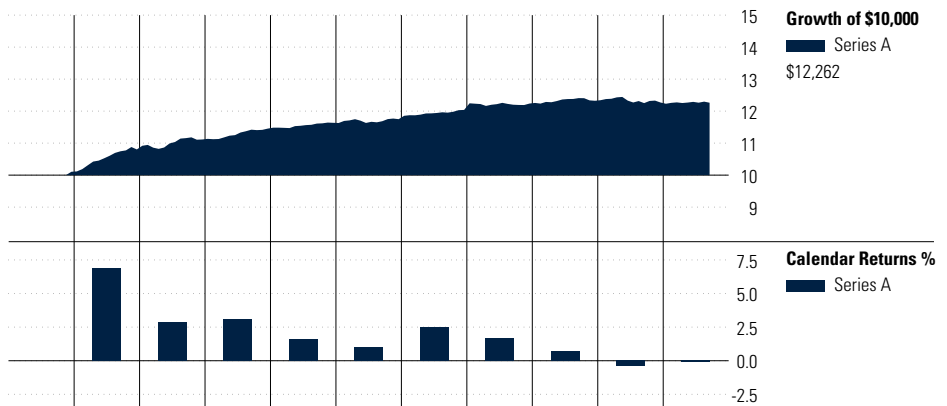
### Geographic Allocations

	% Assets
Canada	100.0
United States	0.0
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

### Top 25 Holdings

	% Assets
Canada (Government of) 2% 01-09-2023	9.4
Canada Hsg Tr No 1 2.35% 15-06-2023	7.1
Canada Hsg Tr No 1 1.45% 15-06-2020	4.5
Canada Housing Tr No.1 1.25% 15-12-2020	3.8
Canada (Government of) 0.5% 01-03-2022	2.7
Canada (Government of) 2% 01-11-2020	2.5
Toronto Dominion Bk 1.68% 08-06-2021	2.1
Ontario (Province Of) 2.6% 08-09-2023	2.1
Ontario (Province Of) 2.85% 02-06-2023	1.8
Canada Hsg Tr No 1 2.4% 15-12-2022	1.7
Ontario (Province Of) 3.15% 02-06-2022	1.7
Canada (Government of) 4.25% 01-12-2021	1.4
Ontario (Province Of) 4% 02-06-2021	1.3
Royal Bank of Canada 2.03% 15-03-2021	1.2
Nha Mortgage Backed Sec 1.89% 01-09-2022	1.1
AT&T Inc 4% 25-11-2025	0.9
BRP Finance ULC 5.14% 13-10-2020	0.9
Hydro One Inc. 1.84% 24-02-2021	0.9
Wells Fargo & Company 2.22% 15-03-2021	0.8
Manitoba (Province of) 1.55% 05-09-2021	0.8
Canada Hsg Tr No 1 3.8% 15-06-2021	0.8
Canada (Government of) 3.25% 01-06-2021	0.8
Canada Hsg Tr No 1 1.5% 15-12-2021	0.8
Bruce Power L.P. 2.84% 23-06-2021	0.7
Canada Hsg Tr No 1 1.75% 15-06-2022	0.7
<b>Total % of Top 25 Holdings</b>	<b>52.2</b>
Total Number of Stock Holdings	0
Total Number of Bond Holdings	227
Total Number of Other Holdings	16
<b>Total Number of Holdings</b>	<b>243</b>

## Performance Analysis as of September 30, 2018



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	
Calendar Returns %	—	6.9	2.9	3.1	1.6	1.0	2.5	1.7	0.7	-0.4	-0.1	Fund Quartile
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	4 <sup>th</sup>	

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
Calendar Returns %	-0.3	-0.2	-0.1	0.1	0.2	1.0	—	2.1	Fund Quartile
	4 <sup>th</sup>	4 <sup>th</sup>	4 <sup>th</sup>	4 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	—	—	Quartile
No. of Funds in Category	243	240	236	226	187	146	54	—	No. of Funds in Category

# PH&N Short Term Bond & Mortgage 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	0.12	0.13	0.15	0.18	0.17	0.20	0.19	0.24	0.31	0.27	0.01
Interest	0.12	0.13	0.15	0.17	0.17	0.20	0.19	0.23	0.27	0.27	0.01
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	—	0.01	—	—	—	0.01	0.05	—	—
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	11-2009	8.8	11-2011	4.5	11-2013	3.3	—	—
Worst	4-2018	-1.4	1-2018	0.0	4-2018	0.8	—	—
Average		1.9		1.8		1.8		—
No. of Periods		107		83		59		—
Pct. Positive		86.0		98.8		100.0		—

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

### Quarterly Commentary as at September 30, 2018

Short-term domestic bond yields trended higher over the quarter, leaving absolute returns for the Fund broadly flat. We entered the quarter slightly shorter than the benchmark in anticipation of short-term rates rising as central banks transition to more conventional monetary policies. We tactically reduced our short position over the quarter to lock in profits as yields move higher. Overall, the Fund ended the quarter with a duration profile slightly longer than that of the benchmark.

We continue to have a cautious view when it comes to credit strategies. The Fund's close-to-benchmark position in corporate bonds was maintained over the quarter as we wait to

capitalize on more compelling reward-for-risk opportunities, should they emerge. In government credit, we continue to prefer federal government agency bonds and government-guaranteed mortgage-backed securities (MBS) over provincial bonds.

The Fund's major out-of-benchmark strategy remains in place, with an important allocation to commercial mortgages. This continues to offer an attractive yield in a sector that we understand well and where we have a long track record of conservatively investing. Our mortgage allocation was the primary driver of value added over the quarter.

# PH&N Short Term Bond & Mortgage 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 Canada.

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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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