

# 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	5,823.8
Series A NAV \$	10.35
Series A MER %	1.10
Series A Adjusted MER %	1.05
Benchmark	FTSE TMX Canada Short Term Overall Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

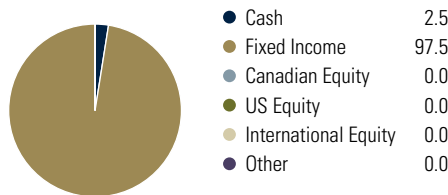
Sales Status	Reopen
Min. Investment \$	500
Subsequent Investment \$	25

Fund Category	Canadian Short Term Fixed Income
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Management Company	RBC Global Asset Management Inc.
Web Site	www.rbcgam.com

## Portfolio Analysis as of June 30, 2017

### Asset Mix



### Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	52.5
Corporate Bonds	36.0
Other Bonds	0.0
Mortgage Backed Securities	11.0
ST Investments (Cash & Other)	0.5
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	0.5	Under 1 year	10.5
AAA	48.2	1 - 5 Yrs	84.5
AA	12.7	5 - 10 Yrs	5.0
A	12.8	Over 10 Yrs	0.0
BBB	14.8		
Below BBB	0.0	Avg. Term to maturity (Yrs)	2.9
Mortgages	11.0	Duration (Yrs)	2.7
NR/NA	0.0	Yield to Maturity	1.8

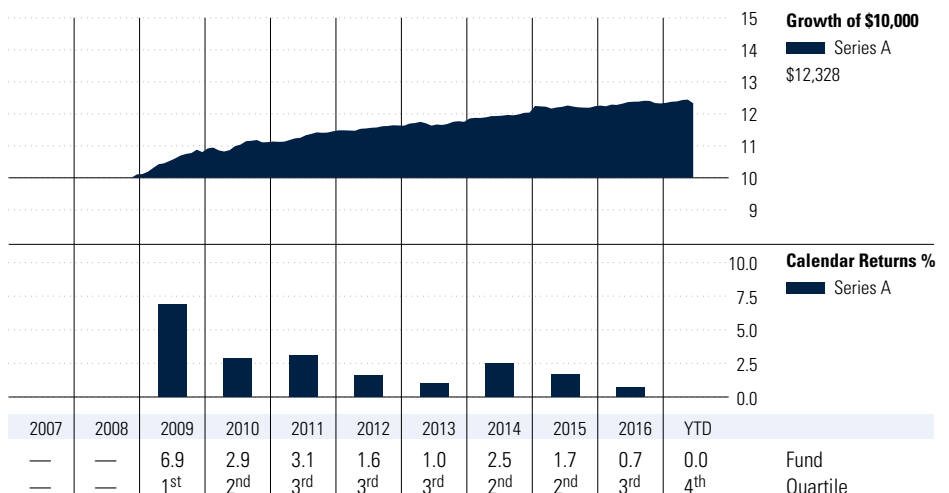
### Geographic Allocations

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

### Top 25 Holdings

Top 25 Holdings	% Assets
Canada Govt 0.75% 01-08-2019	13.0
Ontario Prov Cda 4.2% 02-06-2020	5.4
Canada Hsg Tr No 1 1.25% 15-06-2021	3.7
Canada Hsg Tr No 1 1.45% 15-06-2020	3.1
Canada Hsg Tr No 1 1.25% 15-12-2020	3.0
Canada Hsg Tr No 1 1.95% 15-06-2019	2.6
Canada Hsg Tr No 1 2% 15-12-2019	2.2
Alberta Prov Cda 1.25% 01-06-2020	2.2
Toronto Dominion Bank 1.68% 08-06-2021	2.0
Canada Govt 0.5% 01-03-2022	1.8
Royal Bank Of Canada 1.4% 26-04-2019	1.5
Royal Bank Of Canada 2.03% 15-03-2021	1.3
Bk N S Halifax 1.33% 01-05-2018	1.2
Ontario Prov Cda 3.15% 02-06-2022	1.1
Canada Hsg Tr No 1 3.75% 15-03-2020	1.1
Enbridge Pipelines Inc 6.62% 19-11-2018	0.9
Cad Mortgage Pools 1.420% 01-06-2022	0.9
CIBC 1.7% 09-10-2018	0.9
NHA Mtge Backed Secs 1.45% 01-12-2021	0.8
NHA Mtge Backed Secs 1.37% 01-11-2021	0.8
Mortgage 01-03-2018	0.8
Wells Fargo Co New 2.509% 27-10-2023	0.8
Nha Mortgage Backed Secs 1.4% 01-05-2021	0.8
Manitoba Prov Cda 1.55% 05-09-2021	0.8
Canada Govt 1.5% 01-03-2020	0.7
Total % of Top 25 Holdings	53.2
Total Number of Stock Holdings	0
Total Number of Bond Holdings	256
Total Number of Other Holdings	10
<b>Total Number of Holdings</b>	<b>266</b>

## Performance Analysis as of June 30, 2017



1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
-0.9	-0.5	0.0	-0.3	1.1	1.3	—	2.5	Fund
3 <sup>rd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	—	—	Quartile
232	227	219	218	187	123	47	—	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 June 30, 2017

Distributions (\$)/Unit	YTD*	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Distributions	0.07	0.15	0.18	0.17	0.20	0.19	0.24	0.31	0.27	0.01	—
Interest	0.07	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	6-2017	-0.3	6-2017	1.1	6-2017	1.3	—	—
Average		2.3		2.1		2.1		—
No. of Periods		92		68		44		—
Pct. Positive		98.9		100.0		100.0		—

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

### Quarterly Commentary as at June 30, 2017

The Fund's negative return this quarter was the result of a flattening yield curve, where short-term interest rates increased considerably more than longer term rates. The reason for this is because their shorter-term nature aligns them closer to the Bank of Canada's overnight target rate, which the market anticipates will increase in the very near future. The Fund, from a strategic standpoint, was well positioned for this development by employing a short duration versus its benchmark throughout the quarter. This strategy was a key contributor to the Fund's outperformance compared to its benchmark, which suffered even more as a result of rising short-term rates this quarter.

From a credit standpoint, our view remained cautious during the quarter. The Fund maintained a

minimal corporate overweight position as corporate spreads continued to tighten modestly. We would like to see better valuations (i.e., higher yield spreads) in corporate bonds before taking more meaningful positions. In government credit, we continue to prefer federal government agency bonds and government-guaranteed mortgage-backed securities (MBS) over provincial bonds. This view neither helped nor hurt the Fund's performance materially this quarter.

The Fund's major out-of-benchmark strategy remains its allocation to commercial mortgages, which continues to offer an attractive yield in a sector that we understand well and have a long track record of conservatively investing in.

# 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

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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, 2017 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 May 31, 2017.

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