

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	6,604.4
Series A NAV \$	10.21
Series A MER %	1.04
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

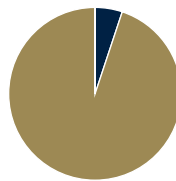
Fund Category	Canadian Short Term Fixed Income
---------------	----------------------------------

Management Company	RBC Global Asset Management Inc.
--------------------	----------------------------------

Web Site	www.rbcgam.com
----------	----------------

Portfolio Analysis as of March 31, 2018

Asset Mix



	% Assets
Cash	5.1
Fixed Income	94.9
Canadian Equity	0.0
US Equity	0.0
International Equity	0.0
Other	0.0

Fixed Income Breakdown

	% Fixed Income
Government Bonds	53.6
Corporate Bonds	34.8
Other Bonds	0.0
Mortgage Backed Securities	8.1
ST Investments (Cash & Other)	3.5
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	3.5	Under 1 year	13.4
AAA	48.0	1 - 5 Yrs	79.6
AA	13.5	5 - 10 Yrs	7.0
A	13.5	Over 10 Yrs	0.0
BBB	12.8		
Below BBB	0.6	Avg. Term to maturity (Yrs)	2.8
Mortgages	8.1	Duration (Yrs)	2.6
NR/NA	0.0	Yield to Maturity	2.3

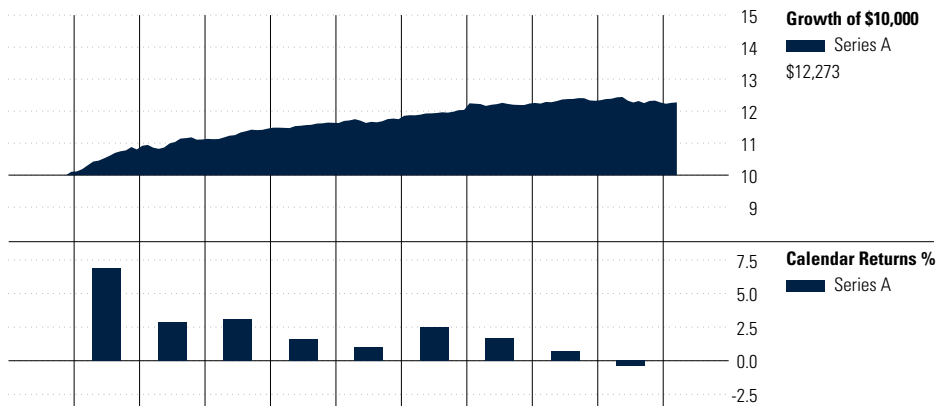
Geographic Allocations

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

Top 25 Holdings

	% Assets
Canada Govt 1.75% 01-03-2023	5.9
Canada Govt 1.75% 01-05-2020	5.4
Canada Hsg Tr No 1 1.45% 15-06-2020	4.0
Canada Govt 0.5% 01-03-2022	3.8
Canada Hsg Tr No 1 1.25% 15-12-2020	3.7
Canada Housing Tr No.1 1.25% 15-06-2021	3.4
Canada Hsg Tr No 1 2.4% 15-12-2022	3.4
Ontario Prov Cda 4.2% 02-06-2020	3.0
Alberta Prov Cda 1.25% 01-06-2020	2.5
Toronto Dominion Bk 1.68% PIDI CVD BDS 08/06 08-06-2021	2.0
Ontario Prov Cda 2.85% 02-06-2023	2.0
Canada Hsg Tr No 1 2% 15-12-2019	1.9
Royal Bank of Canada 1.4% 26-04-2019	1.6
Canada Hsg Tr No 1 1.5% 15-12-2021	1.4
Enbridge Pipelines Inc. 6.62% 19-11-2018	1.3
Canada Hsg Tr No 1 3.75% 15-03-2020	1.3
Ontario Prov Cda 3.15% 02-06-2022	1.1
Royal Bank Of Canada 2.03% 15-03-2021	1.1
Ontario Prov Cda 4% 02-06-2021	1.0
Wells Fargo & Co. Cad 2.222% 15-03-2021	0.8
Hydro One Med Term Nts 1.84% 24-02-2021	0.8
Manitoba Prov Cda 1.55% 05-09-2021	0.8
Nha Mortgage Backed Secs 1.37% 01-11-2021	0.7
Bruce Pwr L P 2.844% 23-06-2021	0.7
Canada Hsg Tr No 1 3.8% 15-06-2021	0.7
Total % of Top 25 Holdings	54.1
Total Number of Stock Holdings	0
Total Number of Bond Holdings	239
Total Number of Other Holdings	17
Total Number of Holdings	256

Performance Analysis as of March 31, 2018



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	
Return %	—	6.9	2.9	3.1	1.6	1.0	2.5	1.7	0.7	-0.4	0.0	Fund Quartile
Rank	—	1 st	2 nd	3 rd	3 rd	3 rd	2 nd	2 nd	3 rd	4 th	4 th	

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
Return %	0.1	0.0	0.2	-0.9	0.1	0.9	—	2.2	Fund Quartile
Rank	3 rd	4 th	4 th	4 th	3 rd	3 rd	—	—	Quartile
No. of Funds in Category	250	248	243	230	193	138	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 March 31, 2018

Distributions (\$)/Unit	YTD*	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Distributions	0.04	0.13	0.15	0.18	0.17	0.20	0.19	0.24	0.31	0.27	0.01
Interest	0.04	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	9-2017	-1.3	1-2018	0.0	3-2018	0.9	—	—
Average		2.0		2.0		1.9		—
No. of Periods		101		77		53		—
Pct. Positive		90.1		98.7		100.0		—

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

Quarterly Commentary as at March 31, 2018

Short-term yields increased over the quarter, making it a challenging environment for absolute returns. During the quarter, we slightly increased the Fund's exposure to bonds at the longer end of the Fund's allowed range, which contributed positively to relative performance as these longer issues (i.e., four- to seven-year bonds) outperformed during this yield-curve flattening. Despite these modest tactical moves, the Fund is overall positioned with a duration/maturity profile roughly in line with that of the benchmark.

We continue to have a cautious view on 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 over provincial bonds.

The Fund's major out-of-benchmark strategy remains its important allocation to mortgages, which continues to offer attractive yield in a sector we understand well and in which 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.

This document has been compiled by RBC Global Asset Management Inc. (RBC GAM) from sources believed to be reliable, but no representations or warranty, express or implied, are made by RBC GAM, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates constitute RBC GAM's judgment as of the date of this document, are subject to change without notice and are provided in good faith but without legal responsibility. The Top Ten/25 Holdings may change due to ongoing portfolio transactions within the fund. The Prospectus and other information about the underlying investment funds are available at www.sedar.com.

MER (%) for RBC Funds, PH&N Funds and BlueBay Funds is based on actual expenses for the full year period, January 1 to December 31, 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 March 31, 2018.

® / ™ Trademark(s) of Royal Bank of Canada. Used under licence. © RBC Global Asset Management Inc. 2018