

# 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	6,395.9
Series A NAV \$	10.25
Series A MER %	0.00
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

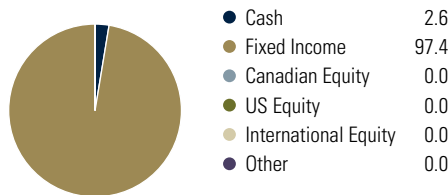
Fund Category	Canadian Short Term Fixed Income
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Management Company	RBC Global Asset Management Inc.
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Web Site	www.rbcgam.com
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## Portfolio Analysis as of December 31, 2017

### Asset Mix



### Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	56.6
Corporate Bonds	32.6
Other Bonds	0.5
Mortgage Backed Securities	8.9
ST Investments (Cash & Other)	1.4
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	1.4	Under 1 year	10.9
AAA	52.9	1 - 5 Yrs	80.3
AA	11.8	5 - 10 Yrs	8.8
A	12.0	Over 10 Yrs	0.0
BBB	12.3		
Below BBB	0.6	Avg. Term to maturity (Yrs)	2.9
Mortgages	9.0	Duration (Yrs)	2.7
NR/NA	0.0	Yield to Maturity	2.2

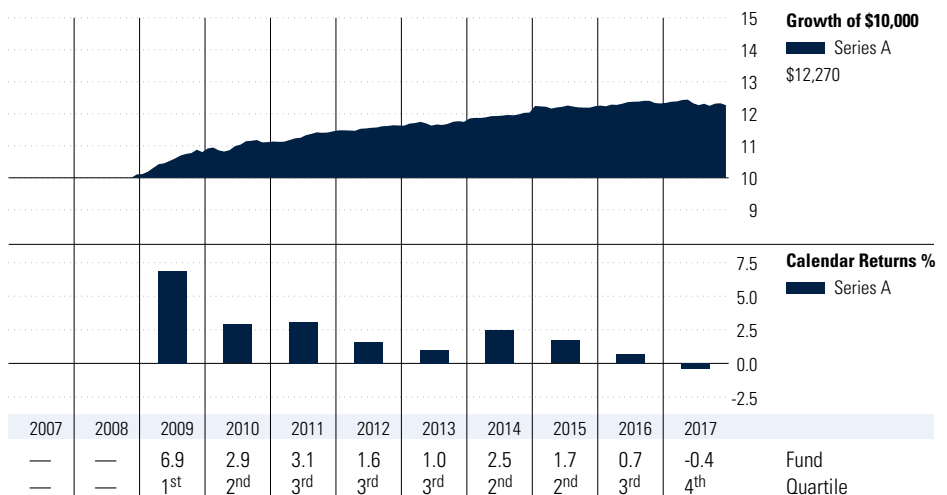
### Geographic Allocations

Geographic Allocation	% Assets
Canada	99.5
United States	0.5
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

### Top 25 Holdings

Top 25 Holdings	% Assets
Ontario Prov Cda 4.2% 02-06-2020	4.6
Canada Hsg Tr No 1 2.4% 15-12-2022	3.9
Canada Govt 1.25% 01-02-2020	3.9
Canada Hsg Tr No 1 1.25% 15-12-2020	3.6
Canada Govt 1.75% 01-03-2023	3.3
Canada Govt 1.25% 01-11-2019	3.2
Canada Govt 1% 01-09-2022	3.1
Canada Hsg Tr No 1 2% 15-12-2019	2.8
Alberta Prov Cda 1.25% 01-06-2020	2.6
Canada Hsg Tr No 1 1.25% 15-06-2021	2.6
Canada Hsg Tr No 1 1.95% 15-06-2019	2.3
Toronto Dominion Bank 1.68% 08-06-2021	2.2
Canada Hsg Tr No 1 1.45% 15-06-2020	2.2
Canada Govt 0.5% 01-03-2022	1.8
Canada Hsg Tr No 1 1.5% 15-12-2021	1.4
Royal Bank Of Canada 1.4% 26-04-2019	1.3
Canada Hsg Tr No 1 3.75% 15-03-2020	1.3
Canada Govt 1.5% 01-06-2023	1.2
Royal Bank Of Canada 2.03% 15-03-2021	1.2
Canada Govt 0.75% 01-09-2021	1.1
Enbridge Pipelines Inc 6.62% 19-11-2018	1.1
Ontario Prov Cda 3.15% 02-06-2022	0.9
Wells Fargo & Co. Cad 2.222% 15-03-2021	0.9
Manitoba Prov Cda 1.55% 05-09-2021	0.8
NHA Mtge Backed Secs 1.37% 01-11-2021	0.8
Total % of Top 25 Holdings	54.1
Total Number of Stock Holdings	0
Total Number of Bond Holdings	251
Total Number of Other Holdings	13
<b>Total Number of Holdings</b>	<b>264</b>

## Performance Analysis as of December 31, 2017



Period	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
Fund	-0.5	0.2	-0.5	-0.4	0.6	1.1	—	2.3	Fund
Quartile	4 <sup>th</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	—	—	Quartile
No. of Funds in Category	244	242	240	222	193	138	49	—	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 December 31, 2017

Distributions (\$)/Unit	2017*	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Distributions	0.13	0.15	0.18	0.17	0.20	0.19	0.24	0.31	0.27	0.01	—
Interest	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	12-2017	0.6	12-2017	1.1	—	—
Average		2.1		2.0		2.0		—
No. of Periods		98		74		50		—
Pct. Positive		92.9		100.0		100.0		—

\* Final distribution attribution (interest, dividends, capital gains and return of capital) for 2017 will be reflected with January month-end profiles.

### Quarterly Commentary as at December 31, 2017

Short-term domestic bond yields moved higher over the quarter, leaving absolute returns for PH&N Short Term Bond & Mortgage Fund only modestly in positive territory. The Fund was positioned with a duration profile in line with that of the benchmark and maintained a slight emphasis on bonds at the longer end of the Fund's allowed range, which contributed positively to relative performance.

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 allocation to commercial mortgages, which continue to offer an attractive yield in a sector that we understand well and in which have a long track record of conservatively investing. We also held a small position in unhedged two-year U.S. Treasury bonds this quarter to act as portfolio insurance, given that treasury bonds and the U.S. dollar typically perform well in flight-to-quality scenarios.

## 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.

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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, 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 December 31, 2017.

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