

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	6,095.2
Series A NAV \$	10.26
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

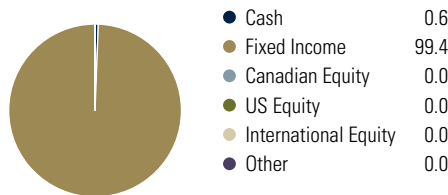
Fund Category	Canadian Short Term Fixed Income
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Management Company	RBC Global Asset Management Inc.
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Web Site	www.rbcgam.com
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Portfolio Analysis as of September 30, 2017

Asset Mix



Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	58.8
Corporate Bonds	30.4
Other Bonds	1.0
Mortgage Backed Securities	9.6
ST Investments (Cash & Other)	0.2
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	0.2	Under 1 year	7.7
AAA	55.4	1 - 5 Yrs	86.9
AA	11.9	5 - 10 Yrs	5.4
A	9.6	Over 10 Yrs	0.0
BBB	12.7		
Below BBB	0.6	Avg. Term to maturity (Yrs)	3.0
Mortgages	9.6	Duration (Yrs)	2.8
NR/NA	0.0	Yield to Maturity	2.1

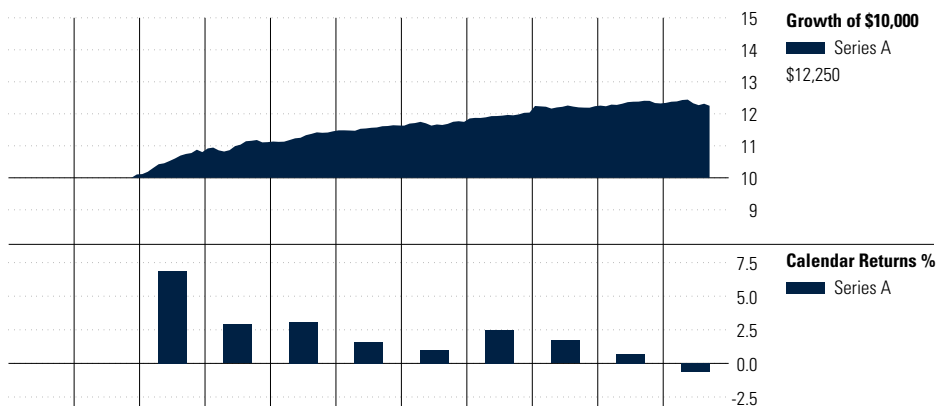
Geographic Allocations

Geographic Allocation	% Assets
Canada	98.9
United States	1.1
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

Top 25 Holdings

Top 25 Holdings	% Assets
Canada Govt 0.75% 01-08-2019	9.2
Canada Govt 1% 01-09-2022	8.7
Ontario Prov Cda 4.2% 02-06-2020	5.0
Canada Hsg Tr No 1 1.25% 15-12-2020	3.5
Canada Hsg Tr No 1 1.25% 15-06-2021	3.4
Canada Govt 0.5% 01-03-2022	3.3
Canada Hsg Tr No 1 1.45% 15-06-2020	2.6
Canada Hsg Tr No 1 2% 15-12-2019	2.5
Canada Hsg Tr No 1 1.95% 15-06-2019	2.3
Alberta Prov Cda 1.25% 01-06-2020	2.1
Toronto Dominion Bank 1.68% 08-06-2021	1.9
Royal Bank Of Canada 1.4% 26-04-2019	1.4
Royal Bank Of Canada 2.03% 15-03-2021	1.2
US Treasury Note 1.25% 30-06-2019	1.0
Canada Hsg Tr No 1 3.75% 15-03-2020	1.0
Ontario Prov Cda 3.15% 02-06-2022	1.0
Canada Hsg Tr No 1 1.75% 15-06-2022	0.9
Enbridge Pipelines Inc 6.62% 19-11-2018	0.9
NHA Mtge Backed Secs 1.89% 01-09-2022	0.8
Wells Fargo & Co. Cad 2.222% 15-03-2021	0.8
Mortgage 01-03-2018	0.8
NHA Mtge Backed Secs 1.45% 01-12-2021	0.8
NHA Mtge Backed Secs 1.37% 01-11-2021	0.7
Manitoba Prov Cda 1.55% 05-09-2021	0.7
Canada Govt 0.25% 01-05-2018	0.7
Total % of Top 25 Holdings	57.2
Total Number of Stock Holdings	0
Total Number of Bond Holdings	248
Total Number of Other Holdings	9
Total Number of Holdings	257

Performance Analysis as of September 30, 2017



Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	
Calendar Returns %	—	—	6.9	2.9	3.1	1.6	1.0	2.5	1.7	0.7	-0.6	Fund
Quartile	—	—	1 st	2 nd	3 rd	3 rd	3 rd	2 nd	2 nd	3 rd	4 th	Quartile

Period	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
Fund	-0.5	-0.6	-1.1	-1.3	0.8	1.1	—	2.3	Fund
Quartile	4 th	4 th	4 th	4 th	3 rd	2 nd	—	—	Quartile
No. of Funds in Category	245	244	234	226	193	138	48	—	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, 2017

Distributions (\$)/Unit	YTD*	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Distributions	0.10	0.15	0.18	0.17	0.20	0.19	0.24	0.31	0.27	0.01	—
Interest	0.10	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	9-2017	0.8	9-2017	1.1	—	—
Average		2.2		2.1		2.0		—
No. of Periods		95		71		47		—
Pct. Positive		95.8		100.0		100.0		—

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

Quarterly Commentary as at September 30, 2017

PH&N Short Term Bond and Mortgage Fund delivered a negative return over the quarter as Canadian interest rates increased meaningfully, largely influenced by actions from the Bank of Canada. The Fund entered the quarter cautiously positioned with a modest short-duration profile compared to its benchmark as the Fund was positioned for the increase in interest rates that occurred.

We continue to have a cautious view when it comes to credit. The Fund's small corporate overweight exposure was reduced during the quarter as we would like to see better valuations (i.e., wider yield spreads) in corporate bonds. The Fund currently has a close-to-benchmark position in corporate bonds as we wait to capitalize on

more compelling reward-for-risk opportunities should they emerge. In government credit, our strategy continues 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 commercial mortgages, which continues to offer attractive yields in a sector that we understand well and in which we have a long track record of investing conservatively. We also initiated a small position in unhedged two-year U.S. Treasury bonds this quarter to act as 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.

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, 2016 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 September 30, 2017.

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