

PH&N High Yield Bond Fund

Investment Objective

To provide a high level of income and the opportunity for capital appreciation by investing primarily in a well-diversified portfolio of fixed income securities issued by Canadian and/or foreign corporations and governments.

Fund Details

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	RBF7280
Adv	Front End	CAD	RBF6280
Adv	Low Load	CAD	RBF4280

Inception Date	November 2008
Total Fund Assets \$Mil	3,975.5
Series A NAV \$	11.99
Series A MER %	1.43
Benchmark	FTSE TMX Canada Universe Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

Sales Status	Partially Reopen to existing unit holder
Min. Investment \$	500
Subsequent Investment \$	25

Fund Category	High Yield Fixed Income
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Management Company	RBC Global Asset Management Inc.
Web Site	www.rbcgam.com

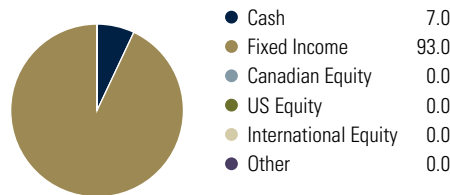
Notes

Effective April 7, 2016, units of this fund will not be available for purchases by new investors. Existing investors who hold units of the fund can continue to make additional investments into the fund.

Fund's investment objective changed November 28, 2011.

Portfolio Analysis as of December 31, 2017

Asset Mix



Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	1.3
Corporate Bonds	91.4
Other Bonds	0.0
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	7.3
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	7.3	Under 1 year	9.7
AAA	1.3	1 - 5 Yrs	46.0
AA	0.0	5 - 10 Yrs	42.6
A	0.0	Over 10 Yrs	1.7
BBB	8.5		
Below BBB	82.4	Avg. Term to maturity (Yrs)	5.0
Mortgages	0.0	Duration (Yrs)	3.4
NR/NA	0.5	Yield to Maturity	4.8

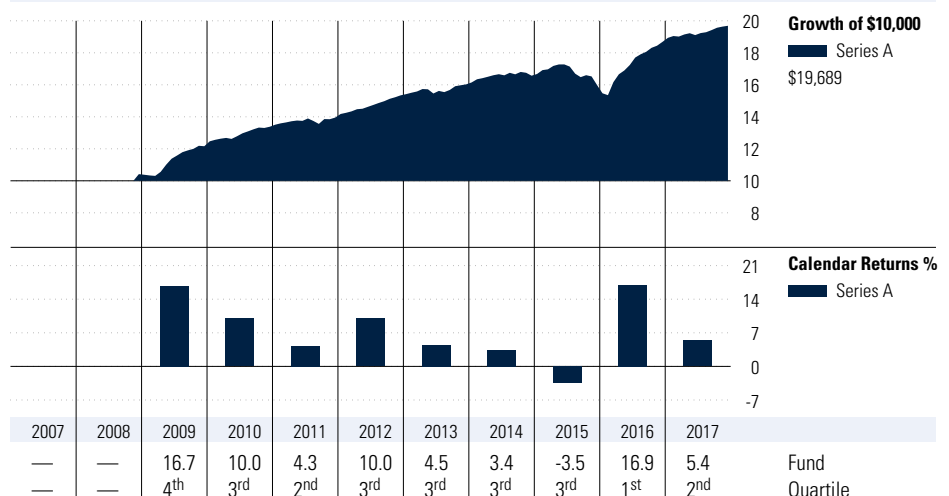
Geographic Allocations

Geographic Allocation	% Assets
Canada	57.4
United States	42.6
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

Top 25 Holdings

Top 25 Holdings	% Assets
Enbridge FRN 27-09-2077	6.4
Quebecor Media 144A 6.625% 15-01-2023	6.0
Baytex Engy 6.625% 19-07-2022	4.2
Trilogy Engy 144A 7.25% 13-12-2019	4.0
Numericable Grp 144A 7.375% 01-05-2026	3.9
Trilogy Intl Partners 8.875% 01-05-2022	2.9
Teine Energy Ltd. Usd 6.875% 30-09-2022	2.7
Baytex Energy Corp. Usd 6.75% 17-02-2021	2.6
Western Engy Svcs 7.875% 30-01-2019	2.5
Newalta Corp New 7.75% 14-11-2019	2.4
Superior Plus 6.5% 09-12-2021	2.3
T Mobile Usa 6.5% 15-01-2026	2.2
Icahn Enterprises Lp 6.25% 15-12-2025	2.0
Baytex Engy 144A 5.625% 01-06-2024	2.0
Parkland Fuel 144A 5.625% 09-05-2025	1.8
Icahn Enterprises Lp 6.25% 01-02-2022	1.7
Atlantic Pwr Partnership 5.95% 23-06-2036	1.7
Morguard 4.333% 15-09-2022	1.6
Crombie REIT 3.962% 01-06-2021	1.6
Baytex Engy 144A 5.125% 01-06-2021	1.4
Parkland Fuel 6% 21-11-2022	1.4
Great Canadian Gaming 6.625% 25-07-2022	1.3
Autocanada 5.625% 25-05-2021	1.3
Ces Engy Solutions 6.375% 21-10-2024	1.3
Cap Pwr 4.284% 18-09-2024	1.3
Total % of Top 25 Holdings	62.6
Total Number of Stock Holdings	0
Total Number of Bond Holdings	70
Total Number of Other Holdings	1
Total Number of Holdings	71

Performance Analysis as of December 31, 2017



1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
0.3	1.4	3.0	5.4	5.9	5.1	—	7.7	Fund
1 st	1 st	1 st	2 nd	1 st	2 nd	—	—	Quartile
587	565	560	487	352	242	48	—	No. of Funds in Category

PH&N High Yield Bond Fund

Management Overview

Manager Bios

Hanif Mamdani

Phillips, Hager & North Investment Management

Hanif is Head of Alternative Investments and a member of the Asset Mix Committee at RBC Global Asset Management Inc. Hanif has expertise in corporate finance, options valuation, credit analysis and risk management. He is accountable for the portfolio strategy for all corporate bonds and for the investment strategy and performance of the PH&N High Yield Bond Fund and a multi-strategy hedge fund.

Performance Analysis Cont'd as of December 31, 2017

Distributions (\$)/Unit	2017*	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Distributions	0.81	0.62	0.60	0.62	0.58	0.73	0.62	0.91	0.48	0.10	—
Interest	0.51	0.53	0.60	0.62	0.58	0.58	0.62	0.51	0.44	0.04	—
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	0.30	0.09	—	—	—	0.14	—	0.41	0.05	0.07	—
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	2-2017	24.1	3-2012	11.6	11-2013	9.8	—	—
Worst	2-2016	-9.3	2-2016	-0.3	2-2016	2.5	—	—
Average		7.3		6.1		6.1		—
No. of Periods		98		74		50		—
Pct. Positive		88.8		98.6		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

The high-yield market was largely range-bound this quarter with yields moving between 5.9% and 6.3%. This tight range speaks to the challenging valuations we have seen, driven by a favourable economic backdrop and general corporate health, a low default rate and demand for yield. These levels seem adequate in the current environment, but leave little compensation for taking on credit, liquidity and, increasingly, interest-rate risk. There was a brief sell-off in November, but the general risk-on attitude soon reasserted itself and spreads finished the quarter only marginally above where they began.

In response to these stretched valuations, we have maintained our unconventional portfolio structure. This consists of a large foundation of cash, near-cash substitutes and short-duration investment-grade corporate bonds to provide stability and liquidity. We also have a core selection of Canadian high-yield names with low sensitivity to

broader market movements that are in stable, non-cyclical/non-resource-focused industries, but still provide good running yields. Finally, we have a few higher-yielding opportunistic positions. We have been looking for other opportunities in the market as our Energy bonds have slowly been called away and took advantage of the value pockets created by November's dispersion to add to our portfolio.

We believe this structure will provide the right balance of low interest-rate sensitivity, high liquidity, modest credit risk and reasonable running yields/upside potential. In a potentially rising interest-rate environment, high-yield bonds — managed tactically with the right low-risk/low-duration structure — may be an effective way to remain invested in fixed income without material exposure to a much higher government bond yield curve.

PH&N High Yield Bond 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

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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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