

# PH&N Community Values Bond Fund

## Investment Objective

To provide relatively high yields and stability of capital by investing primarily in a well-diversified portfolio of fixed income securities issued by Canadian governments and corporations that conduct themselves in a socially responsible manner.

## Fund Details

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	RBF7610
Adv	Front End	CAD	RBF6610
Adv	Low Load	CAD	RBF4610

Inception Date	November 2008
Total Fund Assets \$Mil	195.6
Series A NAV \$	10.90
Series A MER %	1.09
Series A Adjusted MER %	1.03
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	Canadian Fixed Income
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Management Company	RBC Global Asset Management Inc.
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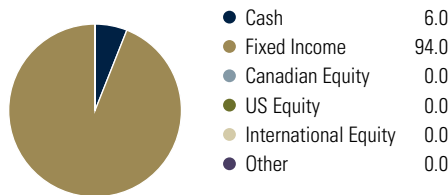
Web Site	www.rbcgam.com
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## Notes

Effective July 4, 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.

## Portfolio Analysis as of March 31, 2017

### Asset Mix



### Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	62.3
Corporate Bonds	31.2
Other Bonds	0.5
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	6.0
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	6.0	Under 1 year	9.4
AAA	32.0	1 - 5 Yrs	33.6
AA	33.4	5 - 10 Yrs	26.3
A	17.7	Over 10 Yrs	30.7
BBB	10.9		
Below BBB	0.0	Avg. Term to maturity (Yrs)	9.7
Mortgages	—	Duration (Yrs)	7.0
NR/NA	0.0	Yield to Maturity	2.1

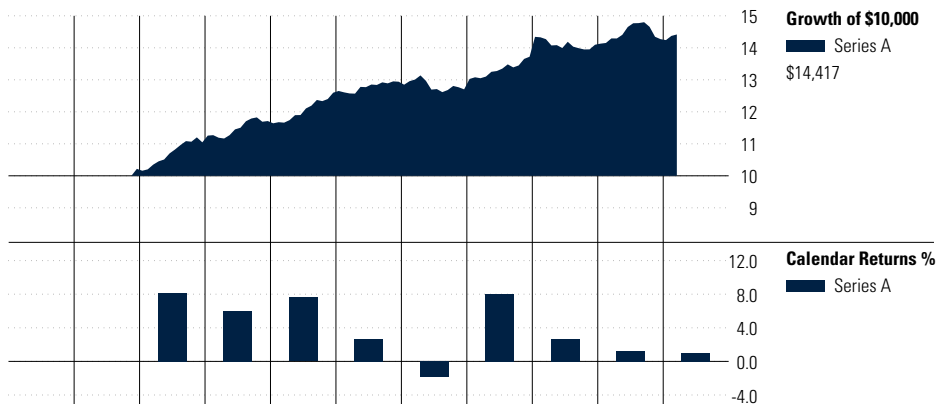
### Geographic Allocations

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
Canada Govt 0.5% 01-03-2022	5.9
Ontario Prov Cda 7.6% 02-06-2027	5.2
Royal Bank Of Canada 1.4% 26-04-2019	3.2
Canada Hsg Tr No 1 1.25% 15-06-2021	2.7
Ontario Prov Cda 3.5% 02-06-2024	2.6
Canada Govt 0.75% 01-09-2020	2.6
Ontario Prov Cda 3.5% 02-06-2043	2.5
Ontario Prov Cda 6.2% 02-06-2031	2.4
Ontario Prov Cda 2.85% 02-06-2023	1.9
Quebec Prov Cda 8.5% 01-04-2026	1.8
Enbridge Pipelines 3% 10-08-2026	1.8
Canada Govt 0.75% 01-03-2021	1.7
Ontario Prov Cda 4.6% 02-06-2039	1.7
Ontario Prov Cda 5.6% 02-06-2035	1.6
Ontario Prov Cda 8.1% 08-09-2023	1.5
Canada Hsg Tr No 1 1.15% 15-12-2021	1.5
Natl Grid Elec Trans 2.73% 20-09-2017	1.4
Ontario Prov Cda 8.5% 02-12-2025	1.3
Canada Govt 2.5% 01-06-2024	1.3
Bk N S Halifax 1.33% 01-05-2018	1.2
Toronto Dominion Bank 1.68% 08-06-2021	1.2
Ontario Prov Cda 2.9% 02-12-2046	1.1
Canada Govt 3.5% 01-06-2020	1.0
Canada Hsg Tr No 1 2.65% 15-03-2022	1.0
Canada Govt 3.25% 01-06-2021	1.0
<b>Total % of Top 25 Holdings</b>	<b>51.0</b>
Total Number of Stock Holdings	0
Total Number of Bond Holdings	213
Total Number of Other Holdings	2
<b>Total Number of Holdings</b>	<b>215</b>

## Performance Analysis as of March 31, 2017



Period	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
Series A	0.3	1.0	-2.6	0.9	3.4	2.8	—	4.5	Fund
Quartile	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	4 <sup>th</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	—	—	Quartile
No. of Funds in Category	658	652	643	599	481	339	131	—	No. of Funds in Category

# PH&N Community Values Bond 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, 2017

Distributions (\$)/Unit	YTD*	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Distributions	0.06	0.35	0.49	0.28	0.33	0.51	0.38	0.51	0.39	0.05	—
Interest	0.06	0.21	0.24	0.25	0.26	0.27	0.30	0.36	0.37	0.04	—
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	0.14	0.25	0.03	0.07	0.23	0.08	0.15	0.01	0.01	—
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	11-2009	12.0	1-2012	7.6	1-2014	5.1	—	—
Worst	9-2013	-1.9	9-2013	2.5	1-2017	2.4	—	—
Average		4.4		4.2		4.1		—
No. of Periods		89		65		41		—
Pct. Positive		88.8		100.0		100.0		—

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

### Quarterly Commentary as at March 31, 2017

The Fund enjoyed a decent return in the first quarter as interest rates paused from the abrupt upward turn that occurred late last year and ended the first quarter slightly lower than where they began it.

We entered the year with a view that the abrupt upward turn in interest rates that occurred last year was “too much, too fast,” and the Fund was positioned with a slightly longer duration than its benchmark (a stance carried over from last year). However, this position did not last long, as the murkiness of a regime shift from monetary (i.e., low central bank interest rates) to fiscal (i.e., government spending) stimulation clouded our view. We returned to a modestly short duration strategy by quarter end with a view that the most likely direction for interest rates, once again, is upward. Despite this relatively high level of activity, rate strategies were neutral to performance as interest rates remained range-bound for most of the quarter.

Corporate and provincial bonds continued to outperform Government of Canada bonds this

quarter, as low interest rates fueled investor demand for additional yield, and slow but persistent economic growth provided the required confidence in creditworthiness. While we remained overweight in both of these sectors, we were mindful of the length of the rally and the extent of credit spread tightening. With this in mind, we reduced the size of the Fund's overweight position in both provincial and corporate bonds to hedge against the possibility of a negative event or repricing of risk that would lead to a rewidening of spreads. We also continued to “upgrade” the corporate bonds in the Fund to higher quality issues and less cyclical industries. These strategies added to Fund performance in the first quarter.

The Fund also held small out-of-benchmark positions in real return bonds and U.S. Treasury bonds. The former reflects a view that long-term inflation will be higher than the 1.5% that was expected when we entered the position, while the latter provides portfolio “insurance” in the event of a risk sell-off or outperformance of U.S. rates.

## PH&N Community Values 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 and BonaVista Funds. The principal distributor of PH&N Funds and BonaVista 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 half-year period, April 1, 2016 to September 30, 2016, 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.

PH&N Funds Series A formerly known as Series C.

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, 2017.

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