

PH&N Inflation-Linked Bond Fund

Investment Objective

The fundamental investment objective of the Fund is to generate interest income that is hedged against inflation by investing primarily in real return bonds and inflation-linked bonds issued or guaranteed by Canadian and foreign governments and corporations.

Fund Details

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	RBF7650
Adv	Front End	CAD	RBF6650
Adv	Low Load	CAD	RBF4650

Inception Date	June 2009
Total Fund Assets \$Mil	112.8
Series A NAV \$	8.90
Series A MER %	0.93
Benchmark	FTSE Canada Real Return Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

Sales Status	Open
Min. Investment \$	500
Subsequent Investment \$	25

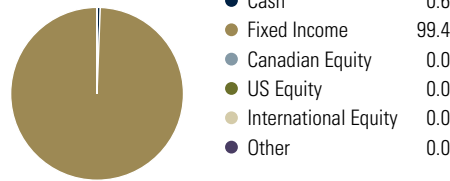
Fund Category	Canadian Inflation Protected Fixed Income
---------------	---

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

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

Portfolio Analysis as of September 30, 2018

Asset Mix



Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	99.4
Corporate Bonds	0.0
Other Bonds	0.0
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	0.6
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	0.6	Under 1 year	0.6
AAA	77.6	1 - 5 Yrs	15.0
AA	21.8	5 - 10 Yrs	17.1
A	0.0	Over 10 Yrs	67.3
BBB	0.0		
Below BBB	0.0	Avg. Term to maturity (Yrs)	17.3
Mortgages	—	Duration (Yrs)	14.8
NR/NA	0.0	Yield to Maturity	2.5

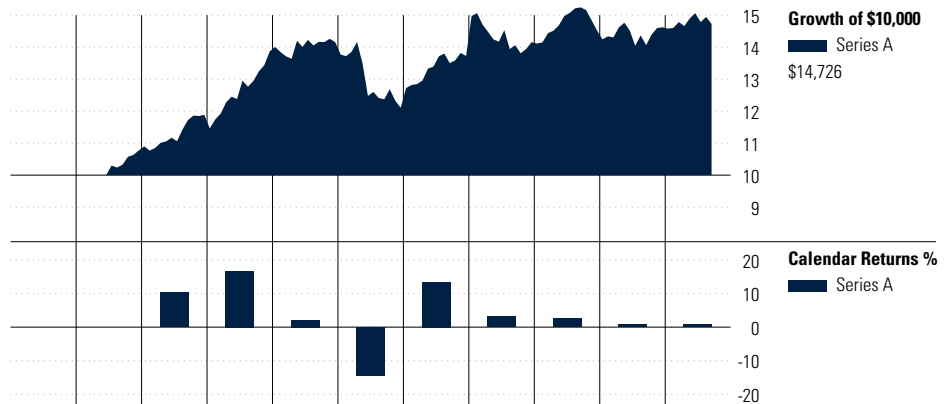
Geographic Allocations

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

Top 25 Holdings

Top 25 Holdings	% Assets
Canada (Government of) 1.5% 01-12-2044	17.8
Canada (Government of) 0.5% 01-12-2050	15.2
Canada (Government of) 4.25% 01-12-2026	15.2
Quebec (Province Of) 4.5% 01-12-2021	14.3
Canada (Government of) 4% 01-12-2031	14.2
Canada (Government of) 2% 01-12-2041	10.3
Canada (Government of) 3% 01-12-2036	4.4
Ontario (Province Of) 2% 01-12-2036	3.4
Quebec (Province Of) 4.25% 01-12-2031	2.2
Quebec (Province Of) 4.5% 01-12-2026	1.8
Canada (Government of) 4.25% 01-12-2021	0.6
Canada (Government of) 2.75% 01-12-2048	0.0
Canada (Government of) 3.5% 01-12-2045	0.0
Canada (Government of) 0.75% 01-09-2021	0.0
Canada (Government of) 1.5% 01-06-2026	0.0
Total % of Top 25 Holdings	99.4
Total Number of Stock Holdings	0
Total Number of Bond Holdings	15
Total Number of Other Holdings	1
Total Number of Holdings	16

Performance Analysis as of September 30, 2018



Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	
Calendar Return %	—	—	10.3	16.7	2.1	-14.5	13.4	3.1	2.6	0.7	0.7	Fund
Quartile	—	—	2 nd	3 rd	3 rd	4 th	1 st	1 st	1 st	1 st	2 nd	Quartile

Period	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
Return	-1.5	-2.2	-0.4	4.7	1.6	3.5	—	4.3	Fund
Quartile	1 st	2 nd	1 st	1 st	1 st	1 st	—	—	Quartile
No. of Funds in Category	29	26	26	26	22	19	9	—	No. of Funds in Category

PH&N Inflation-Linked 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 September 30, 2018

Distributions (\$)/Unit	YTD*	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Distributions	0.11	2.40	0.15	0.21	0.61	0.53	0.46	0.44	0.52	0.05	—
Interest	0.11	0.29	0.15	0.21	0.61	0.53	0.46	0.44	0.31	0.04	—
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	—	—	—	—	—	—	0.21	0.01	—
Return Of Capital	—	2.11	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	1-2012	22.2	6-2012	11.9	2-2015	6.9	—	—
Worst	12-2013	-14.5	2-2018	-1.0	7-2017	-0.3	—	—
Average		4.3		3.5		3.2		—
No. of Periods		100		76		52		—
Pct. Positive		75.0		89.5		96.2		—

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

Quarterly Commentary as at September 30, 2018

Long-term real return bond (RRB) yields moved higher by 0.2% during the third quarter. Since bond prices move in the opposite direction of yields, this resulted in negative absolute returns. The primary driver of higher real yields was the continued growth of the Canadian economy, which was supported by a low unemployment rate and positive economic surprises.

In response, the Bank of Canada (BoC) raised its overnight rate in July to 1.5%. Headline inflation (as reflected in the Consumer Price Index), also benefitted from this growth. The principal amount of RRBs in the Fund is linked to the CPI. The Index ended August at a 2.8% year-over-year pace, which is at the upper end of the BoC's target range of 1-3%. While inflation has historically been higher during the summer months, it received added support from increases in minimum wages, higher oil prices and ongoing trade disputes.

For investors in the Fund, real purchasing power will be maintained over the long term regardless

of the magnitude of actual inflation, thanks to the linkage to consumer prices. This typically results in high levels of investment income. Investors should discuss the potential tax impacts of owning RRBs in a taxable account with their advisor.

During the quarter, the Fund earned a return ahead of its benchmark. This result was primarily due to the tactical management of positions intended to benefit from price inefficiencies among various maturities of RRBs. A position in long-term U.S. Treasury Inflation Protected Securities also positively impacted relative returns. These U.S. securities outperformed similar term Government of Canada RRBs.

While the Fund's real yield increased to 0.7% from 0.5% over the quarter, it remains low compared to historical levels. At low real yield levels, the Fund remains susceptible to negative absolute performance should real rates continue to move higher.

PH&N Inflation-Linked 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 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 half-year period, January 1 to June 30, 2018, expressed on an annualized basis.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the full year period, April 1, 2017 to March 31, 2018.

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, 2018.

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