

# 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	85.0
Series A NAV \$	10.34
Series A MER %	0.93
Benchmark	FTSE TMX Canada Real Return Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

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

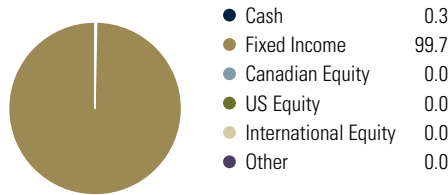
Fund Category	Canadian Inflation Protected Fixed Income
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Management Company	RBC Global Asset Management Inc.
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Web Site	www.rbcgam.com
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## Portfolio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

### Asset Mix



### Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	99.7
Corporate Bonds	0.0
Other Bonds	0.0
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	0.3
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	0.3	Under 1 year	0.3
AAA	89.2	1 - 5 Yrs	15.6
AA	10.5	5 - 10 Yrs	18.7
A	0.0	Over 10 Yrs	65.4
BBB	0.0		
Below BBB	0.0	Avg. Term to maturity (Yrs)	17.6
Mortgages	0.0	Duration (Yrs)	14.8
NR/NA	0.0	Yield to Maturity	2.3

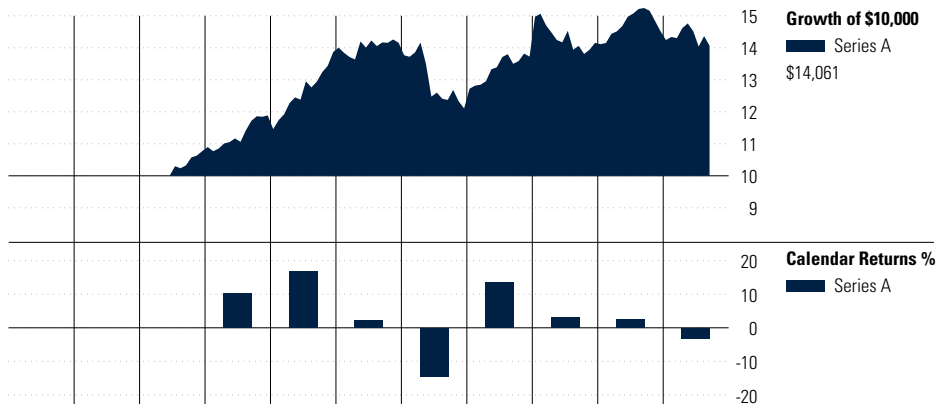
### Geographic Allocations

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 Govt 4.25% 01-12-2026	16.2
Canada Govt 4.25% 01-12-2021	14.6
Canada Govt 4% 01-12-2031	14.0
Canada Govt 0.5% 01-12-2050	11.0
Canada Govt 2% 01-12-2041	10.6
Canada Govt 1.5% 01-12-2044	8.4
Canada Govt 1.25% 01-12-2047	7.9
Canada Govt 3% 01-12-2036	6.4
Ontario Prov Cda 2.42388% 01-12-2036	4.3
Quebec Prov Cda 4.25% 01-12-2031	2.9
Quebec Prov Cda 4.5% 01-12-2026	2.4
Quebec Prov Cda 4.5% 01-12-2021	0.9
Canada Govt 3.5% 01-12-2045	0.0
Canada Govt 2.75% 01-12-2048	0.0
Canada Govt 2.25% 01-06-2025	0.0
Canada Govt 0.75% 01-09-2021	0.0
Canada Govt 1.5% 01-06-2026	0.0
Total % of Top 25 Holdings	99.7
Total Number of Stock Holdings	0
Total Number of Bond Holdings	17
Total Number of Other Holdings	1
<b>Total Number of Holdings</b>	<b>18</b>

## Performance Analysis as of September 30, 2017



Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	Fund Quartile
Return %	—	—	—	10.3	16.7	2.1	-14.5	13.4	3.1	2.6	-3.1	Fund Quartile
Rank	—	—	—	2 <sup>nd</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>	Quartile

Period	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
Return %	-2.1	-3.2	-1.7	-7.8	1.4	-0.2	—	4.3	Fund
Rank	4 <sup>th</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	—	—	Quartile
No. of Funds in Category	28	28	28	28	23	18	10	—	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, 2017

Distributions (\$)/Unit	YTD*	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Distributions	0.59	0.15	0.21	0.61	0.53	0.46	0.44	0.52	0.05	—	—
Interest	0.59	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	—	—	—	—	—	—	—	—	—	—	—

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	10-2015	-0.8	7-2017	-0.3	—	—
Average		4.7		3.9		3.6		—
No. of Periods		88		64		40		—
Pct. Positive		73.9		90.6		95.0		—

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

### Quarterly Commentary as at September 30, 2017

Real return bond (RRB) yields moved higher in the third quarter, largely influenced by actions from the Bank of Canada (BoC). Because of PH&N Inflation-Linked Bond Fund's sensitivity to changes in real interest rates, the impact of a 0.3% rise in real yields on performance resulted in a negative absolute return for the Fund. Headline inflation (CPI), to which the principal amounts of bonds in the Fund are linked, ended August at 1.4% on a year-over-year basis. While this is 0.4% higher than it was in June, it remains well below the 2% target set by the BoC, which views this low level of inflation as temporary given the recent strong growth of the Canadian economy. 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 CPI.

The Fund's performance benefited from tactical positions used to take advantage of "inefficiencies" in the RRB market, including price differences among the various maturities of RRBs. These strategies were the most significant contributors to performance over the quarter. The Fund's allocation to provincial RRBs, which enhance yield, was maintained. While these are attractive, a limited supply of available bonds constrains the size of their position in the Fund. During the quarter, the fund sold its only corporate RRB position at an attractive valuation based on concerns over the credit fundamentals of the issuer. With the Fund's real yield of approximately 0.7%, which is still low by historical standards, the Fund remains susceptible to negative performance if real rates continue to rise.

## 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

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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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