FIXED-INCOME FUND

PHILLIPS, HAGER & NORTH HIGH YIELD BOND FUND

June 30, 2023

Portfolio Manager *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this interim management report of fund performance on August 9, 2023.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

This interim management report of fund performance ("MRFP") contains financial highlights but does not contain either the complete interim financial statements or the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-661-6141, by writing to us at RBC Global Asset Management Inc., Phillips, Hager & North Investment Management, Investment Funds Centre, 20th Floor, 200 Burrard Street, Vancouver, B.C., V6C 3N5, or by visiting our website at www.rbcgam.com/regulatorydocuments or SEDAR+ at www.sedarplus.ca. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Phillips, Hager & North Investment Management is a division of RBC Global Asset Management Inc., the manager of the Fund and an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide investors with a high level of income and the opportunity for capital appreciation by investing primarily in medium quality Canadian and/or foreign corporate bonds, convertible bonds, preferred shares and government bonds issued or traded in Canadian and U.S. dollars. In addition, the portfolio manager may also invest in asset backed commercial paper. The average term to maturity of the portfolio is managed within strict guidelines, typically between three and 13 years.

Results of Operations

The Fund's net asset value was $8.4 billion as of June 30, 2023.

Over the past six months, the Fund's Series F units gained 1.8%. The Fund's return is after the deduction of expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of any other series, which may vary because of differences in management fees and expenses.

High-yields bonds recorded gains over the first half of 2023 as higher-risk assets performed particularly well, recovering from financial-market instability caused by a short-lived U.S. banking crisis in March. The difference in yields on high-yield fixed income and yields on government bonds declined, a sign that investors were comfortable with a degree of risk amid falling inflation and sustainable economic growth. Both the U.S. Federal Reserve and the Bank of Canada continued to raise short-term benchmark interest rates during the period, albeit at a reduced pace, on evidence that inflation is declining from recent elevated levels.

The Fund's continued emphasis on higher-quality bonds in this environment helped to shield the portfolio from much of the market volatility. Also insulating the Fund from the decline in bond prices was the portfolio manager's decision to position the Fund such that it would have less sensitivity to changes in interest rates than the broader market.

Recent Developments

In light of the economic backdrop, the portfolio manager remains cautious as the risk of a recession remains high. The portfolio manager therefore continues to favour higher-quality, more-liquid assets that position the Fund to withstand any market weakness and stands ready to take advantage of attractive investment opportunities as they arise. The portfolio manager's research shows that, all else being equal, periods in which yields rise significantly are often followed by periods of attractive returns.

While the economy has remained resilient so far and valuations are no longer at extremes, the portfolio manager recognizes that riskier assets remain vulnerable should economic concerns intensify. As a result, the portfolio manager continues to favour a more conservative approach to investing.

Effective January 1, 2023, Suromitra Sanatani was appointed as Chair of the Independent Review Committee ("the IRC"). Effective February 1, 2023, Joanne Vézina was appointed as a member of the IRC. Effective March 1, 2023, Enrique Cuyegkeng was appointed as a member of the IRC.

Related-Party Transactions

Manager and Portfolio Manager

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank and is the manager and principal portfolio manager of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund. Both the management fee and fixed administration fee are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund.

RBC GAM or its affiliates may earn fees and spreads in connection with various services provided to, or transactions with, the Fund, such as banking, brokerage, securities lending, foreign exchange and derivatives transactions. RBC GAM or its affiliates may earn a foreign exchange spread when unitholders switch between series of funds denominated in different currencies. The Fund also maintains bank accounts and overdraft provisions with Royal Bank for which Royal Bank may earn a fee. Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

Distributors

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and Phillips, Hager & North Investment Funds Ltd. are principal distributors of, or may distribute certain series of units of, the Fund. Dealers may receive an ongoing commission based on the total value of their clients' investment in certain series of units of the Fund.

Registrars

RBC GAM, RBC Investor Services Trust ("RBC IS") or Royal Bank (or a combination thereof) are the registrars of the Fund and keep records of who owns units of the Fund. The registrars earn a fee, which is paid by the manager from the fixed administration fee paid by the Fund.

Trustee and Custodian

RBC IS is the trustee and holds title to the Fund's property on behalf of unitholders. RBC IS is the custodian of the Fund and holds the assets of the Fund.

RBC IS earns a fee as the trustee and custodian, which is paid by the manager from the fixed administration fee paid by the Fund.

Securities Lending Agent

To the extent the Fund may engage in securities lending transactions, RBC IS may act as the Fund's securities lending agent. Any revenue earned on such securities lending is split between the Fund and the securities lending agent.

Brokers and Dealers

The Fund has established standard brokerage and dealing agreements at market rates with related parties. For the periods ended June 30, 2023 and 2022, the related-party commissions were $0 (2022 – $6,000) or 0% (2022 – 5%) of the total transaction costs paid for this Fund.

Other Related-Party Transactions

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Independent Review Committee with respect to one or more of the following transactions:

Related-Party Trading Activities

(a) trades in securities of Royal Bank;

(b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;

(c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

Inter-Fund Trading

(d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the Independent Review Committee of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months (noted by June 30, 2023), and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements.

Change in Net Assets Per Unit ($)

		Increase (Decrease) from Operations[1]					Annual Distributions[2]					
For the Year/ Period Ended	Net Assets Beginning of Year/Period	Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	Net Assets End of Year/Period
Series A												
June 30, 2023	**10.77**	**0.32**	**(0.08)**	**(0.04)**	**(0.03)**	**0.17**	**(0.25)**	**–**	**–**	**–**	**(0.25)**	**10.68**
Dec. 31, 2022	11.83	0.60	(0.16)	(0.23)	(0.83)	(0.62)	(0.43)	–	–	–	(0.43)	10.77
Dec. 31, 2021	11.93	0.59	(0.17)	0.18	(0.12)	0.48	(0.41)	–	(0.17)	–	(0.58)	11.83
Dec. 31, 2020	11.73	0.62	(0.17)	0.37	0.11	0.93	(0.43)	–	(0.15)	–	(0.58)	11.93
Dec. 31, 2019	11.52	0.62	(0.17)	(0.09)	0.28	0.64	(0.44)	–	–	–	(0.44)	11.73
Dec. 31, 2018	11.99	0.67	(0.17)	(0.18)	(0.29)	0.03	(0.50)	–	–	–	(0.50)	11.52
Series D												
June 30, 2023	**10.63**	**0.31**	**(0.05)**	**(0.04)**	**(0.03)**	**0.19**	**(0.28)**	**–**	**–**	**–**	**(0.28)**	**10.54**
Dec. 31, 2022	11.68	0.60	(0.10)	(0.23)	(0.86)	(0.59)	(0.49)	–	–	–	(0.49)	10.63
Dec. 31, 2021	11.77	0.58	(0.10)	0.17	(0.11)	0.54	(0.48)	–	(0.17)	–	(0.65)	11.68
Dec. 31, 2020	11.58	0.62	(0.10)	0.38	(0.10)	0.80	(0.49)	–	(0.15)	–	(0.64)	11.77
Dec. 31, 2019	11.38	0.61	(0.10)	(0.08)	0.28	0.71	(0.50)	–	–	–	(0.50)	11.58
Dec. 31, 2018	11.85	0.66	(0.10)	(0.18)	(0.29)	0.09	(0.56)	–	–	–	(0.56)	11.38
Series F												
June 30, 2023	**10.68**	**0.31**	**(0.05)**	**(0.04)**	**(0.03)**	**0.19**	**(0.28)**	**–**	**–**	**–**	**(0.28)**	**10.60**
Dec. 31, 2022	11.74	0.60	(0.10)	(0.23)	(0.78)	(0.51)	(0.49)	–	–	–	(0.49)	10.68
Dec. 31, 2021	11.84	0.59	(0.11)	0.17	(0.11)	0.54	(0.48)	–	(0.17)	–	(0.65)	11.74
Dec. 31, 2020	11.64	0.61	(0.10)	0.37	0.32	1.20	(0.49)	–	(0.15)	–	(0.64)	11.84
Dec. 31, 2019	11.44	0.61	(0.10)	(0.08)	0.23	0.66	(0.51)	–	–	–	(0.51)	11.64
Dec. 31, 2018	11.91	0.66	(0.10)	(0.18)	(0.29)	0.09	(0.56)	–	–	–	(0.56)	11.44
Series O												
June 30, 2023	**10.25**	**0.30**	**–**	**(0.03)**	**(0.05)**	**0.22**	**(0.31)**	**–**	**–**	**–**	**(0.31)**	**10.16**
Dec. 31, 2022	11.26	0.57	–	(0.22)	(0.75)	(0.40)	(0.56)	–	–	–	(0.56)	10.25
Dec. 31, 2021	11.35	0.56	–	0.17	(0.12)	0.61	(0.56)	–	(0.16)	–	(0.72)	11.26
Dec. 31, 2020	11.17	0.59	–	0.36	0.29	1.24	(0.57)	–	(0.14)	–	(0.71)	11.35
Dec. 31, 2019	10.98	0.59	–	(0.08)	0.25	0.76	(0.58)	–	–	–	(0.58)	11.17
Dec. 31, 2018	11.43	0.64	–	(0.17)	(0.30)	0.17	(0.64)	–	–	–	(0.64)	10.98

[1] Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

[2] Distributions are reinvested in additional units of the Fund or paid in cash.

FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit ($)	Net Asset Value ($000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%)[1]	MER Before Absorption (%)[1]	Portfolio Turnover Rate (%)[2]	Trading Expense Ratio (%)[3]
Series A							
June 30, 2023	**10.68**	**295 616**	**27 669**	**1.43**	**1.43**	**39.02**	**–**
Dec. 31, 2022	10.77	302 645	28 098	1.44	1.44	97.02	–
Dec. 31, 2021	11.83	343 612	29 050	1.43	1.43	76.50	–
Dec. 31, 2020	11.93	335 198	28 108	1.43	1.43	80.81	–
Dec. 31, 2019	11.73	230 363	19 643	1.43	1.43	43.89	–
Dec. 31, 2018	11.52	211 657	18 373	1.43	1.43	61.87	–
Series D							
June 30, 2023	**10.54**	**554 937**	**52 628**	**0.86**	**0.86**	**39.02**	**–**
Dec. 31, 2022	10.63	551 413	51 870	0.87	0.87	97.02	–
Dec. 31, 2021	11.68	721 357	61 781	0.86	0.86	76.50	–
Dec. 31, 2020	11.77	695 326	59 052	0.87	0.87	80.81	–
Dec. 31, 2019	11.58	648 321	55 969	0.87	0.87	43.89	–
Dec. 31, 2018	11.38	624 097	54 845	0.87	0.87	61.87	–
Series F							
June 30, 2023	**10.60**	**1 731 918**	**163 418**	**0.88**	**0.88**	**39.02**	**–**
Dec. 31, 2022	10.68	1 665 833	155 906	0.88	0.88	97.02	–
Dec. 31, 2021	11.74	1 447 696	123 355	0.88	0.88	76.50	–
Dec. 31, 2020	11.84	1 337 710	113 020	0.88	0.88	80.81	–
Dec. 31, 2019	11.64	816 418	70 110	0.88	0.88	43.89	–
Dec. 31, 2018	11.44	548 187	47 914	0.88	0.88	61.87	–
Series O							
June 30, 2023	**10.16**	**5 805 667**	**571 110**	**0.03**	**0.03**	**39.02**	**–**
Dec. 31, 2022	10.25	5 375 461	524 456	0.04	0.04	97.02	–
Dec. 31, 2021	11.26	5 047 797	448 334	0.03	0.03	76.50	–
Dec. 31, 2020	11.35	4 629 494	407 746	0.03	0.03	80.81	–
Dec. 31, 2019	11.17	2 926 011	261 931	0.03	0.03	43.89	–
Dec. 31, 2018	10.98	2 403 129	218 948	0.03	0.03	61.87	–

[1] The management expense ratio ("MER") is based on the direct expenses charged to the Fund and the Fund's proportionate share of the expenses of underlying funds, if any, for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

[2] The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

[3] The trading expense ratio represents total commissions and other portfolio transaction costs of the Fund and the Fund's proportionate share of such costs of underlying funds expressed as an annualized percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

Management Fees and Administration Fees

Management fees and administration fees of each series of the Fund are payable to RBC GAM and calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund. The management fee, breakdown of services received in consideration of the management fee, as a percentage of the management fee, and the administration fee for each series are as follows:

	Management Fees	Breakdown of Services		Administration Fees
		Distribution	Other*	
Series A	1.25%	40%	60%	0.05%
Series D	0.75%	20%	80%	0.05%
Series F	0.75%	–	100%	0.05%
Series O	n/a	n/a	n/a	0.03%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

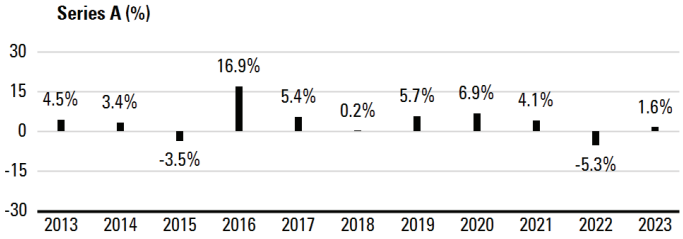
* Includes all costs related to management, investment advisory services, general administration and profit.

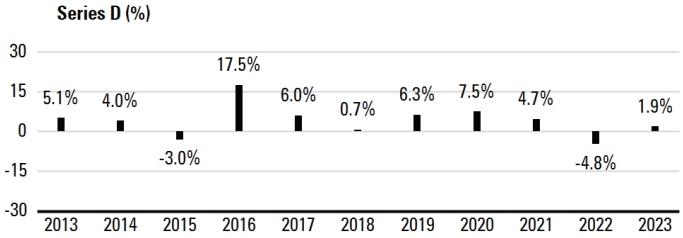
PAST PERFORMANCE

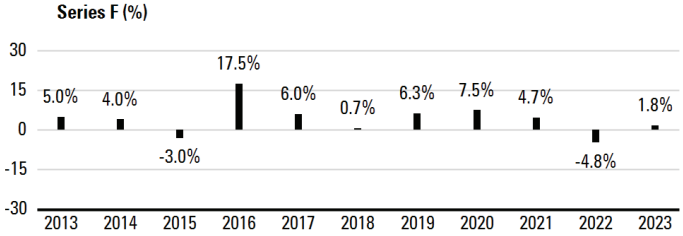
The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, optional charges or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

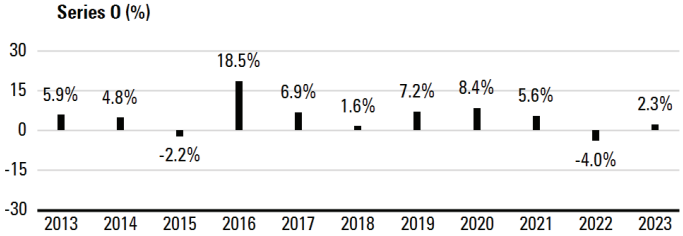
Year-by-Year Returns (%)

The bar chart indicates the Fund's performance for each of the years shown, and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year or interim period.









Inception dates are not provided for series that have been in existence for more than 10 years.

The Fund was closed to new investors effective April 7, 2016, reopened to new investors effective June 27, 2019, closed to new investors effective July 10, 2019, reopened to new investors effective April 6, 2020, closed to new investors effective April 17, 2020, reopened to new investors effective July 14, 2022 and closed again to new investors effective July 29, 2022.

Advisor Series units were re-designated as Series A units effective August 4, 2020.

For the 12-month periods ended December 31 and the six-month period ended June 30, 2023.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)
As at June 30, 2023

Investment Mix

	% of Net Asset Value
Corporate Bonds	87.0
United States Bonds	7.9
Cash/Other	5.1

Top 25 Holdings

	% of Net Asset Value
Brookfield Property REIT Inc. / BPR Cumulus LLC / BPR Nimbus LLC / GGSI Sellco LL 5.750% May 15, 2026	6.9
Royal Bank of Canada 4.500% Nov 24, 2080	5.0
Bank of Nova Scotia 7.023% Jul 27, 2082	4.6
Bank of Montreal 4.300% Nov 26, 2080	4.2
Rogers Communications Inc. 5.000% Dec 17, 2081	4.1
Cash & Cash Equivalents	3.9
Inter Pipeline Ltd. 6.875% Mar 26, 2079	3.9
Royal Bank of Canada 4.000% Feb 24, 2081	3.8
Brookfield Property Finance ULC 7.125% Feb 13, 2028	3.5
Inter Pipeline Ltd. 6.625% Nov 19, 2079	2.7
National Bank of Canada 4.300% Nov 15, 2080	2.6
Toronto-Dominion Bank 7.283% Oct 31, 2082	2.6
Bank of Montreal 7.057% Perpetual	2.2
Canadian Imperial Bank of Commerce 4.375% Oct 28, 2080	2.1
Ford Credit Canada Co. 7.375% May 12, 2026	2.1
Bank of Nova Scotia 3.700% Jul 27, 2081	1.9
Northriver Midstream Finance LP 5.625% Feb 15, 2026	1.8
Videotron Ltd. 3.625% Jun 15, 2028	1.8
Brookfield Property Finance ULC 4.000% Sep 30, 2026	1.8
Canadian Imperial Bank of Commerce 7.150% Jul 28, 2082	1.7
Keyera Corp. 6.875% Jun 13, 2079	1.7
Parkland Corp. 4.375% Mar 26, 2029	1.6
Bank of Montreal 7.325% Nov 26, 2082	1.5
Canadian Imperial Bank of Commerce 4.000% Jan 28, 2082	1.5
National Bank of Canada 7.500% Nov 16, 2082	1.5
Top 25 Holdings	71.0

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at www.rbcgam.com/regulatorydocuments.