

## RBC Canadian Corporate Bond Fund



### Commentary as at June 30, 2024

Canadian corporate bonds recorded strong gains during the first half of 2024, with most of the returns coming toward the end of the second quarter. Expectations that the Bank of Canada (the “BOC”) would be among the first major central banks to cut interest rates sparked a rally in Canadian fixed income. The BOC reduced its policy rate in early June after it became comfortable that inflation was trending down, and that the economy was losing strength.

Returns during the year benefited largely from exposure to riskier debt, including BBB rated bonds, which outperformed. The Fund’s performance was also enhanced by allocations to preferred shares and U.S. investment-grade debt, while exposure to Government of Canada bonds with a higher sensitivity to changes in interest rates hurt the portfolio’s overall performance.

The Fund’s overall sensitivity to changes in interest rates was kept to a minimum for most of the period. This position had little impact on overall returns.

The extra premium earned on corporate bonds above the yield on government bonds is at its lowest level in two years, suggesting there’s less protection against the impact of a deep economic downturn on profits or a re-acceleration of inflation that forces the BOC to resume raising interest rates.

That said, bond yields look attractive relative to historical levels given the outlook for earnings and balance sheets, and low default rates indicate that a significant downturn is unlikely in the near term. In the event that any economic downturn is deeper than expected, the portfolio manager will reduce the Fund’s exposure to riskier assets. Interest-rate risk will be kept to a minimum.

This has been provided by RBC Global Asset Management Inc. (RBC GAM) and is for informational purposes, as of the date noted only. Discussion of any securities in this report is not a recommendation to buy or sell any specific security, and is subject to change. It is not intended to provide legal, accounting, tax, investment, financial or other advice and such information should not be relied upon for providing such advice. RBC GAM takes reasonable steps to provide up-to-date, accurate and reliable information, and believes the information to be so when provided. Past performance is no guarantee of future results. Interest rates, market conditions, tax rulings and other investment factors are subject to rapid change which may materially impact analysis that is included in this document. You should consult with your advisor before taking any action based upon the information contained in this document. All opinions constitute our judgment as of the dates indicated, are subject to change without notice and are provided in good faith without legal responsibility. Information obtained from third parties is believed to be reliable but RBC GAM and its affiliates assume no responsibility for any errors or omissions or for any loss or damage suffered. RBC GAM reserves the right at any time and without notice to change, amend or cease publication of the information.

Please consult your advisor and read the prospectus or Fund Facts document before investing. There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Mutual funds are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. Mutual fund unit values change frequently. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated. RBC Funds, RBC Private Pools, RBC Alternative Funds and PH&N Funds are offered by RBC Global Asset Management Inc. (RBC GAM) and distributed through authorized dealers in Canada.

This document may contain forward-looking statements about a fund or general economic factors which are not guarantees of future performance. Forward-looking statements involve inherent risk and uncertainties, 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. All opinions in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.