

# RBC Vision Fossil Fuel Free Short-Term Bond Fund



## Commentary as at December 31, 2025

Returns on short-term Canadian bonds rose amid interest-rate cuts as domestic economic growth remained weak. The Bank of Canada (the “BOC”) balanced concerns of slower economic growth linked in part to an evolving trade war with the U.S. against the threat of higher inflation. In this environment, the BOC reduced its key policy interest rate by 1 percentage point to 2.25% over the course of 2025, pushing down yields on short-term Government of Canada (“GOC”) bonds and resulting in higher prices. Investors were wary about increases in government spending to prop up the economy, and the growing government deficits that come with such increases. Canada, like many other countries, is boosting expenditures on infrastructure and defence to offset weak private investment.

The Fund’s sensitivity to interest rates was actively managed during the year during a volatile period for bond yields, and this approach had a negative impact on the portfolio’s overall performance. The portfolio manager’s continued preference for provincial bonds, government-backed housing bonds, investment-grade corporate bonds and commercial multi-residential mortgages contributed to the Fund’s performance. These strategies produced higher income earned on similar-term “risk-free” GOC bonds.

The portfolio manager remains cautious given relatively high valuations and concerns about trade-related uncertainty and its potential impact on the Canadian economy. The portfolio manager continues therefore, to favour higher-quality parts of the market that position the Fund to withstand market weakness and stands ready to take advantage of attractive opportunities as they arise.

The combined federal and provincial deficit for the next fiscal year is expected to total approximately 4% of Canadian GDP, one of the largest levels since the early 1990’s outside of COVID-19 and the global financial crisis.

Sustainalytics conducted reviews covering the Fund’s holdings in 2025. In the opinion of Sustainalytics and RBC GAM, all holdings in the Fund were eligible at the time of review based on the Fund’s ESG exclusion criteria. During 2025, no holdings were removed from the Fund for failing to meet the ESG exclusion criteria.

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.