



RBC \$U.S. High Yield Bond Fund

Commentary as at June 30, 2025

U.S. high-yield corporate bonds posted positive returns in the first half of 2025, with lower risk bonds outperforming higher risk bonds. The Fund performed well in January and February but declined in March and April after U.S. President Donald Trump announced that he would impose extremely high tariffs on trade partners. The change in U.S. trade policy led to concern about corporate profits and resulted in investors demanding extra premiums to invest in non-government securities such as those held in the portfolio. The weakness was most concentrated in tariff-exposed industries and energy bonds. The market rebounded in May and June as trade tensions eased, oil prices stabilized. Riskier assets outperformed as yield premiums declined.

The Fund's returns were hurt by positions in energy exploration and production, which were hurt by falling oil prices, and exposure to retail bonds, which were hurt by concerns about U.S. trade policy. Aiding returns were positions in airlines, packaging and natural-gas distribution.

Low default rates combined with strong demand for higher-yielding securities are, in the view of the portfolio manager, expected to continue for the foreseeable future. However, measurements of credit health such as interest coverage and the ratio of debt to earnings before interest, depreciation, taxes and non-cash charges, while still strong, are gradually starting to weaken. The current benign credit outlook is vulnerable as the trade war, geopolitical concerns and higher inflation threaten to reduce economic growth while derailing any plans by the U.S. Federal Reserve to lower interest rates. Bond yields still look attractive, but with little risk priced into yields on non-government bonds, the portfolio manager will be particularly selective in redeploying cash in the portfolio.

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