RBC Global Asset Management

PH&N Bond Fund

Commentary as at June 30, 2026

The first half of 2026 was marked by heightened volatility. Conflict in the Middle East disrupted global oil supply routes, pushing oil prices sharply higher, from $60 to $100 per barrel by late March, creating inflationary pressures. Although a temporary ceasefire was reached in mid-June, uncertainty around trade agreements, particularly the upcoming review of Canada's trade deal with the U.S. and Mexico, continued to affect business confidence and economic activity. Canada's economy contracted at the end of 2025 and beginning of 2026. However, there were encouraging signs in the second quarter: Canadians maintained their spending levels, and income per person began to improve. The Bank of Canada kept its key interest rate steady at 2.25% throughout the period, carefully balancing two concerns: supporting a weak economy while addressing rising inflation, which reached 3.2% in May. Financial markets now anticipate the bank will raise rates once before year-end.

The Fund benefited from three key positioning decisions. First, careful management of how sensitive the Fund is to interest-rate movements worked in the Fund’s favour. Second, provincial and municipal bonds were emphasized, which added value to the portfolio. Third, the portfolio manager focused on high-quality corporate bonds, which contributed positively to performance. Both the provincial/municipal and corporate bond holdings benefited from tighter credit spreads and attractive yields generation during the period.

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