RBC Vision Bond Fund

Commentary as at June 30, 2021

The global economic recovery continued at a solid pace over the first half of 2021, aided by accelerated vaccine roll-outs that allowed lockdown restrictions to ease. Concerns about rising inflation caused bond yields to rise considerably during the period, producing modest losses in higher-quality areas of the bond market. However, bond yields remained historically low, leading to the persistence of strong demand for assets offering higher yields than Government of Canada bonds. In this environment, corporate and provincial bonds outperformed their lower-yielding federal-government counterparts.

At the beginning of the period the Fund was positioned to have less sensitivity to rising yields than the broad market, which helped to insulate the portfolio from the corresponding decline in bond prices. Along with this strategy, the portfolio manager's continued preference for corporate and provincial bonds helped to offset losses from the broad bond-market decline. Overall, this approach contributed to the Fund's performance.

Sustainalytics conducted one review covering the Fund's holdings in the first half of 2021. Eligibility was determined in relation to the Environmental, Social and Governance ("ESG") criteria developed by RBC GAM in consultation with Sustainalytics. In the opinion of Sustainalytics, all holdings in the Fund were eligible in the latest review, based on the above criteria.

Given the strong economic and financial-market recovery from the depths of the pandemic crisis, the portfolio manager has been proceeding with caution. One reflection of this thinking is a decision to gradually upgrade the quality of the portfolio by taking profits on many positions that have performed well and re-allocating that exposure to relatively safe investments. At the same time, the portfolio manager believes the Fund is well positioned to benefit from a continued reopening of the economy.