



PH&N Mortgage Pension Trust

Commentary as at June 30, 2025

The PH&N Mortgage Pension Trust (MPT) returned 2.98% over the first half of the year, outperforming the FTSE Canada Short Term Overall Bond Index by 0.77%. The outperformance was driven by the MPT's longer duration during a period of falling yields, and stronger income accrual compared with the performance benchmark. As of June 30, 2025, the mortgages held in the MPT had a yield of 4.11%, approximately 163 basis points over similar-term Government of Canada (GoC) bonds.

Credit fundamentals in the industrial sector remain stable despite concerns surrounding the potential impact of tariffs on manufacturers and logistics providers. In our view, new supply has helped rebalance vacancy levels and reduce rental growth rates from previous record highs to more sustainable levels.[1] The retail sector continued to see many of the same trends as recent quarters, with consumers focusing more on essential goods purchases over non-essential ones. As a result, leasing activity stayed strong, and grocery-anchored retail properties had fewer vacancies compared to other types of retail spaces.[2] The office sector has displayed increasingly stronger operating fundamentals, and return-to-office activity has continued to gain momentum, with the support of increased announcements and enforcement of employer return-to-office mandates. While we remain aware of the continued risks in the office sector (high vacancy, flight-to-quality, etc.), we are encouraged by these positive developments.[3] The multi-residential sector continues to display attractive credit fundamentals despite slowing population growth and declining rents. Affordability remains a key challenge, but significant new housing development has helped ease rental rates in major markets to what we believe are closer to sustainable levels.[4]

Looking forward to the remainder of 2025, while we believe in the strong credit fundamentals of the conventional commercial mortgage market, we also recognize that the sector faces uncertainty. To that end, we believe the mortgages in the portfolio remain well positioned to navigate potential market turbulence. Our mortgages are secured by high-quality, income-producing properties across Canada and both the level of cash flows and property values supporting the mortgages have significant insulation as evidenced by the high debt service coverage ratio (DSC) of 1.7x and low loan to value ratio (LTV) of 50%.

[1] CoStar National Industrial Report, Q2 2025

[2] CoStar National Retail Report, RBC Consumer Spending Tracker, Q2 2025

[3] CoStar National Office Report, SRRA, Q2 2025

[4] CoStar National Multi-Residential Report, Q2 2025

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.