

PH&N High Yield Bond Fund

Investment Objective

To provide a high level of income and the opportunity for capital appreciation by investing primarily in a well-diversified portfolio of fixed income securities issued by Canadian and/or foreign corporations and governments.

Fund Details

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	RBF7280
Adv	Front End	CAD	RBF6280
Adv	Low Load	CAD	RBF4280

Inception Date	November 2008
Total Fund Assets \$Mil	4,582.0
Series A NAV \$	11.81
Series A MER %	1.43
Benchmark	FTSE Canada Universe Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

Sales Status	Partially Reopen to existing unit holder
Min. Investment \$	500
Subsequent Investment \$	25

Fund Category	High Yield Fixed Income
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Management Company	RBC Global Asset Management Inc.
Web Site	www.rbcgam.com

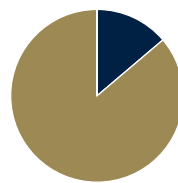
Notes

Effective July 10, 2019, units of this fund will not be available for purchases by new investors. Existing investors who hold units of the fund can continue to make additional investments into the fund.

Fund's investment objective changed November 28, 2011.

Portfolio Analysis as of July 31, 2019

Asset Mix



	% Assets
Cash	13.8
Fixed Income	86.2
Canadian Equity	0.0
US Equity	0.0
International Equity	0.0
Other	0.0

Fixed Income Breakdown

	% Fixed Income
Government Bonds	0.0
Corporate Bonds	89.8
Other Bonds	0.0
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	10.2
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	10.2	Under 1 year	15.5
AAA	0.0	1 - 5 Yrs	68.0
AA	0.6	5 - 10 Yrs	14.4
A	3.0	Over 10 Yrs	2.1
BBB	24.6		
Below BBB	61.6	Avg. Term to maturity (Yrs)	3.7
Mortgages	0.0	Duration (Yrs)	2.8
NR/NA	0.0	Yield to Maturity	4.0

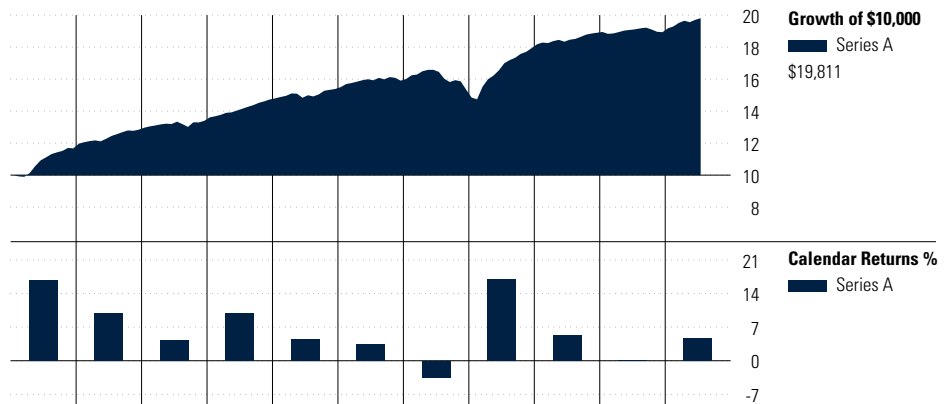
Geographic Allocations

	% Assets
Canada	48.2
United States	51.8
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

Top 10 Holdings

	% Assets
Seven Generations Engy 6.75% 01-05-2023	5.7
Quebecor Media Inc. 6.62% 15-01-2023	5.3
Icahn Enterprises Lp 6.25% 01-08-2020	4.9
Brookfield Prop Fin ULC 4.3% 01-03-2024	4.8
Teine Energy Ltd 6.88% 30-09-2022	4.5
Inter Pipeline Limited 6.88% 26-03-2079	4.0
Baytex Energy Corp 6.62% 19-07-2022	3.9
Baytex Energy Corp 5.62% 01-06-2024	3.6
Icahn Enterprises Lp 6.25% 01-02-2022	3.2
Royal Bank Canada Montr 2.74% 25-07-2029	3.0
Total % of Top 10 Holdings	42.8
Total Number of Stock Holdings	0
Total Number of Bond Holdings	64
Total Number of Other Holdings	5
Total Number of Holdings	69

Performance Analysis as of July 31, 2019



Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD	
Calendar Returns %	16.7	10.0	4.3	10.0	4.5	3.4	-3.5	16.9	5.4	0.2	4.6	Fund Quartile
	4 th	3 rd	2 nd	3 rd	3 rd	2 nd	3 rd	1 st	2 nd	1 st	4 th	

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
	0.5	0.8	3.3	3.6	5.2	4.5	5.9	7.0	Fund
	3 rd	3 rd	4 th	3 rd	2 nd	1 st	3 rd	—	Quartile
	527	526	523	509	369	241	55	—	No. of Funds in Category

PH&N High Yield Bond Fund

Management Overview

Manager Bios

Hanif Mamdani

Phillips, Hager & North Investment Management

Hanif Mamdani is Head of Alternative Investments and is lead manager of a high yield bond strategy, a multi-strategy hedge fund, and a proprietary multi-strategy hedge fund-of-funds solution. He is also a member of the Asset Mix Committee and the RBC GAM Investment Strategy Committee. Hanif holds a master's degree from Harvard University and a bachelor's degree with honours from the California Institute of Technology.

Performance Analysis Cont'd as of July 31, 2019

Distributions (\$)/Unit	YTD*	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Distributions	0.24	0.50	0.81	0.62	0.60	0.62	0.58	0.73	0.62	0.91	0.48
Interest	0.24	0.50	0.51	0.53	0.60	0.62	0.58	0.58	0.62	0.51	0.44
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	0.30	0.09	—	—	—	0.14	—	0.41	0.05
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	2-2017	24.1	3-2012	11.6	11-2013	9.8	11-2018	7.0
Worst	2-2016	-9.3	2-2016	-0.3	2-2016	2.5	7-2019	5.9
Average		6.6		6.1		5.7		6.6
No. of Periods		117		93		69		9
Pct. Positive		90.6		98.9		100.0		100.0

* Distributions are characterized into income type at year-end.

Commentary as at June 30, 2019

The high yield market has performed well year-to-date, driven primarily by accommodative central bank monetary policy. Increasing trade friction between the U.S. and China led to a brief but notable sell-off in risk assets in May, but the U.S. Federal Reserve's (Fed) reaffirmed accommodative stance and easing trade tensions soon reinvigorated markets. Conditions within the high yield market also remained favourable, with supportive supply and demand tension and default rates well below long-term averages.

Despite this positive performance, we maintain our cautious outlook as we are unsure as to whether central bank actions will further prolong this credit cycle or if a recession is approaching. We have built a liquid, low duration, low volatility portfolio that aims to provide reasonable returns in either scenario. A large amount of short-dated investment grade bonds, particularly Canadian BBB rated bonds, and yield-to-call high yield bonds

form the portfolio's base. On top of this, we have layered less market-sensitive high yield holdings with a bias to non-cyclical Canadian issuers. Finally, higher yielding names compose a small portion of the fund.

We believe this non-traditional approach to high yield can provide clients with the opportunity to diversify their portfolios and add yield without an undue increase in risk. We therefore opened the fund for new investments on a temporary basis at the end of June, as we believe there is inherent value in a fund that we expect can deliver returns between 4% and 5% with lower volatility and low sensitivity to interest rates. The fund's lower risk profile may constrain returns when markets enjoy rapid rebounds, but we believe this defensive position will protect capital and generate steady returns over the long term.

PH&N High Yield Bond Fund

Disclosure

RBC Funds, BlueBay Funds, PH&N Funds and RBC Corporate Class Funds are offered by RBC Global Asset Management Inc. and distributed through authorized dealers.

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MER (%) for RBC Funds, PH&N Funds and BlueBay Funds is based on actual expenses for the preceding calendar year or most recent half-year period ended June 30 expressed on an annualized basis, depending on availability of data at the time of publication.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the preceding full year period ended March 31 or half-year period ended September 30 expressed on an annualized basis, depending on availability of data at the time of publication.

Series H and Series I are not available for purchase by new investors. Existing investors who hold Series H or Series I units

can continue to make additional investments into the same series of the funds they hold.

Graphs are only used to illustrate the effects of the compound growth rate and do not reflect future values of any fund or returns on investment of any fund.

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Quartile rankings are determined by Morningstar Research Inc., an independent research firm, based on categories maintained by the Canadian Investment Funds Standards Committee (CIFSC). Quartile rankings are comparisons of the performance of a fund to other funds in a particular category and are subject to change monthly. The quartiles divide the data into four equal segments expressed in terms of rank (1, 2, 3 or 4).

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