RBC Global Asset Management

Celebrating 5 years of RBC BlueBay High Yield Bond Strategy

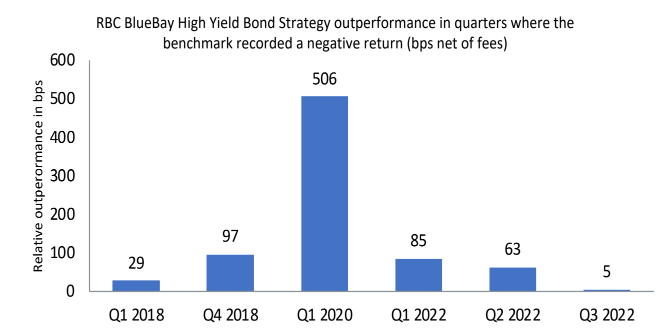
In November 2022, the RBC BlueBay High Yield Bond Strategy (the “Strategy”) passed the five year anniversary of its launch. During that time, the Strategy has delivered consistent investment results through inconsistent markets. The results have been driven by an experienced, stable team employing a conviction-based investment approach with proprietary research and continuous innovation at its core.

In the five years since its launch, the Strategy has delivered a robust track record of outperformance against the ICE BofA US High Yield Index through a wide variety of market conditions.

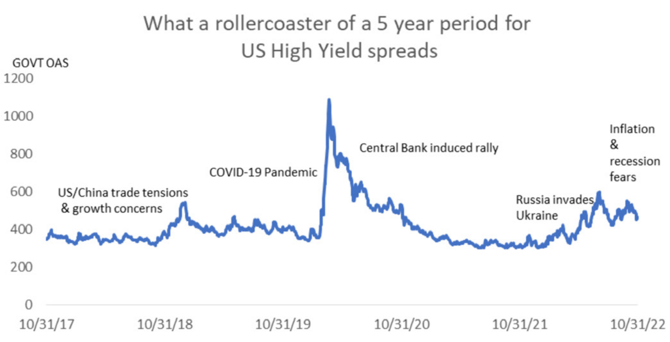
Over the course of the Strategy’s existence, we have experienced various market conditions. While we have had periods of favorable conditions supported by Central Bank stimulus, we’ve also dealt with adverse conditions brought on by the Coronavirus Pandemic, geopolitical tensions and more recently, rising recession fears.

Our approach to investing in high yield debt strongly emphasizes downside risk management and while markets have been volatile,

The Strategy has outperformed in every quarter the index was down, while also capturing market upside.



Source: BlueBay Asset Management, as at October 31, 2022. Note: The US High Yield Debt Strategy was launched in November 2017; The benchmark is ICE BofA US High Yield Index. Past performance is not indicative of future performance, derivatives trading involve a substantial risk of loss. Performance presented is supplemental to the “GIPS® Composite Report”.



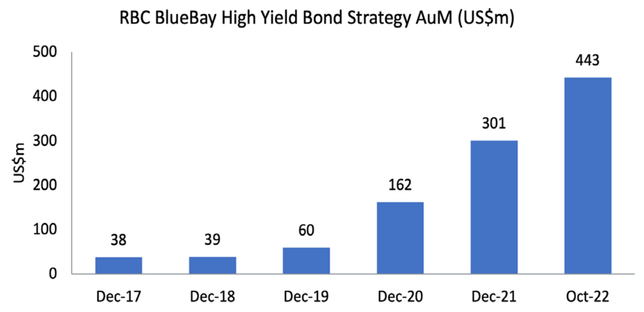
Source: ICE BofA US High Yield Index

These positive results position the strategy favorably within its peer groups. Sometimes, better performance is found among strategies with higher risk profiles, but that is not the case here. In fact, the opposite is true as the Strategy has not had to take on excessive risk in order to achieve compelling returns. The strong relative results have been achieved with a volatility below the benchmark (standard deviation of 6.54% since inception versus 7.37% for the ICE BofA High Yield Index). We believe our proven performance over this period marrying both bottom up and top down factors is a good indicator that our philosophy continues to “stand the test of time” and has the potential to deliver superior returns over the long term.

One consequence of the market conditions has been an uneven flows in and out of the asset class. The Strategy, however, has experienced a steady growth of assets under management (“AUM”) and as of October 31 2022, had a total AUM of US$443 ml, diversified across a global client base. This level of assets gives the strategy critical mass, while allowing our alpha seeking process the nimbleness to pursue every opportunity.

	Trailing periods			Calendar years				
	1 year	3 years	5 years	2018	2019	2020	2021	2022 YTD
RBC BlueBay US High Yield gross returns	-9.42	1.93	3.84	-0.2	16.29	10.45	4.79	-10.35
ICE BofA US High Yield Index	-11.45	0.18	1.90	-2.3	14.41	6.17	5.36	-12.19
Excess return	2.03	1.75	1.94	2.08	1.88	4.28	-0.57	1.84
RBC BlueBay US High Yield net returns	-10.16	1.05	2.89	-1.2	15.14	9.44	3.94	-10.96
ICE BofA US High Yield Index	-11.45	0.18	1.90	-2.3	14.41	6.17	5.36	-12.19
Excess return	1.29	0.87	0.99	1.09	0.73	3.27	-1.42	1.23

Source: BlueBay Asset Management, BofA, as at October 31, 2022. Past performance is not indicative of future performance, derivatives trading involve a substantial risk of loss. Performance presented is supplemental to the "GIPS® Composite Report". All returns for periods greater than one year are shown on an annualized basis. Notes: Inception date is 1 November 2017.

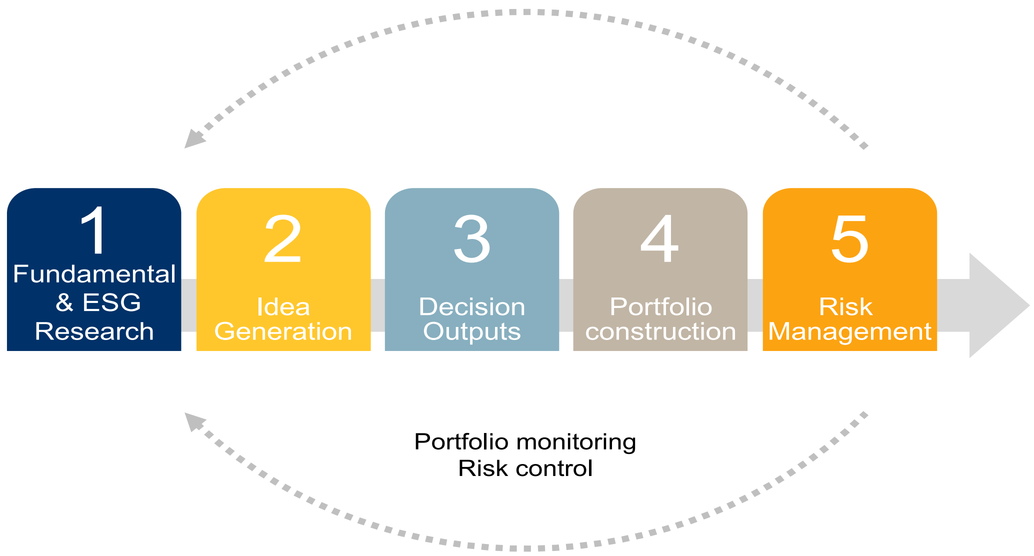


Source: RBC

Most recently, fixed income markets have experienced a broad-based sell-off during over the course of 2022, driven by the combination of higher US Treasury yields, and wider credit spreads. The US high yield market has not been immune from this "risk-off" tone and has also re-priced significantly in recent months. With a spread over Treasuries of 463 bps and an all-in yield at the index level over 9%, we are now at a point where US high yield valuations are more compelling by historical standards.

In market conditions such as we've encountered over the past five years, it is comforting to know there is a stable, experienced team in place to navigate the volatility. Certainly, one of the keys to the Strategy's long-term success has been the team itself. **Tim Leary is the lead portfolio manager** alongside Head of U.S. Fixed Income Andrzej Skiba and Senior Portfolio Manager Justin Jewell. The US High Yield Strategy is part of the BlueBay Global Leveraged Finance platform, whose team of fixed income specialists have been investing in high yield bond & loans since 2002. Our team based in Stamford, Connecticut, benefits from a diverse group of fixed income specialists who share a global perspective.

The team is built around the concept of having a collaborative and creative working environment that fosters diverse thinking, continuous learning and innovation.



ESG incorporation is good investment risk management	Incorporating ESG analysis alongside conventional credit research	Current approach reflects a natural evolution
▪ Poorly managed ESG risks may impact an issuer's ability to meet their financial obligations ▪ BlueBay's ESG management rooted in an investment risk framework	▪ Employing the most appropriate strategy for fixed income ▪ Promoting true integration by empowering risk takers	▪ Adoption of a number of ESG investment related policies ▪ Dedicated in-house ESG resourcing ▪ Membership of the PRI since July 2013 [1]

Our process is geared for alpha generation in all environments.

We feel that an important source of competitive advantage has been the strength and consistency of our investment process. We have established a robust, tried and tested investment process which is able to identify the drivers of idiosyncratic corporate risk, and to consistently identify over/under-valued credits. Executing our views through a disciplined investment process, drawing on our proprietary analysis, will enable us to exploit these inefficiencies on a repeatable basis.

High yield bonds can offer higher income opportunities to other core fixed income allocations but have an asymmetric risk-reward profile that needs to be actively managed to avoid potential credit risks. Our investment process allows us to construct concentrated portfolios that offer both high income and liquidity, with potentially less risk than the broader market. The organization has supported our effort and spent significant time and resources by developing innovative tools to help ensure our success. Our Alpha Research Tool (ART) and Alpha Decision Tool (ADT) system are examples, as they permit a consistent and controlled approach to decision making, security selection, position construction and risk management with an emphasis on capital preservation.

We take a long-term view and want to invest in the debt of sustainable companies.

In our judgement, incorporating Environmental, Social & Governance (ESG) factors makes for better investment decision making, leading to better outcomes.

Over the past few years, the asset management industry has seen the light in terms of ESG. While many in the industry try to catch up, industry-leading ESG integration has been a critical component of the team's investment process from the beginning. Our approach has proven to be effective. We believe ESG factors can potentially have a material impact on an issuer's long-term financial performance, and therefore its creditworthiness.
We're gratified to see that we haven't had to sacrifice performance while implementing our approach to ESG, as we sit ahead of the benchmark and favorably positioned within the peer group over the life of the fund. Given the limited upside (and potentially significant downside) of fixed income investments, the focus on ESG analysis is on understanding downside risks. A key focus of our ESG effort involves engagement directly with companies. We work closely with companies to understand the issues they face, and to gain greater insight into management's ability to govern for the long term. By expressing our independent views and working closely with companies to resolve issues, we gain greater insight into management's ability to govern for the long term. Supplementing traditional financial analysis by reviewing material ESG-related management practices and performance is not only prudent but also in line with our fiduciary duty to optimize investor returns.

Notwithstanding the headwinds that we face in the short term– stubbornly high inflation, renewed recession fears, geopolitics etc. – we feel the combination of solid fundamentals, muted default risks and high carry leads us to be constructive as we look ahead to 2023.

As we move into a recessionary period this could lead to a deterioration in the operating performance of high yield companies, we would note that the starting point for high yield corporate fundamentals is a very strong one – we're at the lowest level of leverage (net debt / ebitda) since the Great Financial Crises of 2008-2009.

As such although it's likely for default rates to rise, this would be from a historically low level. Note the last 12 month default rate for us high bonds as of end October was 0.84% (compared with a 20 year average of 2.7%). In our base case, we don't think that we will be entering a drawn-out recession which would be a prelude to a meaningful spike in defaults to double-digits like in previous credit cycles. There's also no major "maturity wall" in the remainder of 2022 and 2023, therefore limiting refinancing / liquidity fears. Simply, there's not much to default on!

Lower levels of primary market issuance remain a positive technical for the asset class, which reflects the lack of need to refinance for most issuers. The high yields on offer are beginning to attract investors back into the asset class, in addition to investors being positioned lightly creates for a strong technical dynamic

In summary, the five year track record is significant because it gives investors a view on how the Strategy has performed through ups and downs and in various market conditions. Executing our views through a disciplined investment process, drawing on our proprietary analysis, will enable us to exploit these inefficiencies on a repeatable basis.

GIPS® Composite Report, as at October 31, 2022

RBC GAM US Fixed Income - High Yield (USD)

Inception Date: November 1, 2017
Benchmark: ICE BofA US High Yield Index
Currency: USD

Annual returns

Year end	Composite gross return (%)	Composite net return (%)	Benchmark return (%)	Composite 3 yr std dev (%)	Benchmark 3 yr std dev (%)	Number of portfolios	Internal dispersion (%)	Composite assets (millions)	Firm assets (millions)
YTD 2022	-10.35	-10.96	-12.19	8.68	11.10	1	-	280.0	379,088.3
2021	4.79	3.94	5.36	6.58	9.14	1	-	300.7	481,049.3
2020	10.45	9.44	6.17	6.83	9.39	1	-	162.1	424,813.8
2019	16.29	15.14	14.41	n/a	n/a	1	-	59.5	361,400.0
2018	-0.19	-1.18	-2.27	n/a	n/a	1	-	38.7	305,983.2
2017/11 - 2017/12	0.22	0.06	0.02	n/a	n/a	1	-	38.4	331,885.2

The GIPS® Composite Report is incomplete without the full disclosures. **n/a** = not applicable, **std dev** = standard deviation

Description of the Firm: For the purposes of Global Investment Performance Standards (GIPS®), RBC Global Asset Management is the asset management division of Royal Bank of Canada (RBC) operating under the following brands: RBC Global Asset Management (RBC GAM) in Canada, the U.S. (institutional), the U.K. and Hong Kong; PH&N Institutional; and BlueBay Asset Management (institutional). With offices around the world, RBC GAM offers a full range of global investment solutions in cash management and fixed income, equity, balanced, alternative , and specialty investment strategies through mutual funds, hedge funds, pooled funds and separately managed accounts. The RBC GAM group of companies has more than C$608 billion (US$481 billion) in assets under management as of December 31, 2021. RBC purchased Phillips, Hager & North Investment Management, including the assets of BonaVista Asset Management, on May 1, 2008, and BlueBay Asset Management on December 17, 2010. RBC GAM's lists of composite descriptions, limited distribution pooled fund descriptions and broad distribution pooled funds are available upon request.

Compliance Statement: RBC GAM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. RBC GAM has been independently verified for the periods January 1, 2002 through December 31, 2021. The verification report(s) is/are available upon request. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Composite Description: The US Fixed Income - High Yield (USD) Composite invests in fixed income securities where at least two thirds of its total net assets are in the debt obligations of companies rated below investment grade (i.e. rated Ba1 / BB or below by Moody's or S&P respectively) and at least 70% of the total net assets are invested in security holdings issued by US domiciled entities. In addition the composite may invest in up to 30% foreign debt.

Benchmark: The US Fixed Income - High Yield (USD) composite uses ICE BofA US High Yield Index (H0A0) as a benchmark. The benchmark data is sourced from the index provider. Returns are presented net of withholding taxes on dividends, interest income and capital gains where applicable.

Gross of Fees: Gross of fees performance returns are presented before management fees, but after administrative fees and all trading expenses. Returns are presented net of withholding taxes on dividends, interest income and capital gains where applicable.

Net of Fees: Net of fees performance returns are presented after management fees, administrative fees and all trading expenses. Returns are presented net of withholding taxes on dividends, interest income and capital gains where applicable.

Performance Calculations: Results are based on all fully discretionary accounts meeting the composite definition, including those accounts no longer with the firm. Returns are shown in USD, and include the reinvestment of all income. Additional information regarding policies for valuing investments, calculating performance, and creating GIPS® Reports is available upon request. Past performance is not indicative of future results.

Composite Dispersion: The composite dispersion of annual returns is indicated by the performance of individual accounts representing the equal weighted standard deviation of returns. Dispersion of returns is calculated for portfolios included in the composite for the full year. Calculations are based on gross portfolio returns if gross composite returns are presented. If only net composite returns are presented, then net portfolio returns are used in the composite dispersion calculation.

3-Year Standard Deviation: Periods with less than 3 years of data will show "n/a". Calculations are based on gross composite returns, if gross composite returns are presented. If only net composite returns are presented, then net composite returns are used in the calculation.

Derivatives, Leverage and Short Positions: The underlying portfolios may use derivatives for hedging purposes, and may also use derivatives such as options, futures, forwards, and swaps for non-hedging purposes as a substitute for direct investments, as long as the portfolio's use of derivatives is consistent with its investment objectives. Currency hedging is used primarily as a risk management tool to limit the volatility of portfolio returns and may be used tactically to enhance returns. Currency hedge ratios can range between 0-100% , depending on asset class and mandate.

Fee Schedule: Net-of-fees returns are calculated by deducting a model management fee of 6.83bps, 1/12th of the highest management fee of 82bps, from the monthly gross composite return.

Minimum Account Size: There is no minimum account size for this composite.

Creation Date: The US Fixed Income - High Yield (USD) composite was created on 20 December 2017. A complete list and description of the firm's composites and performance results are available on request.