



# Cash Management: Government

## Quarterly Commentary

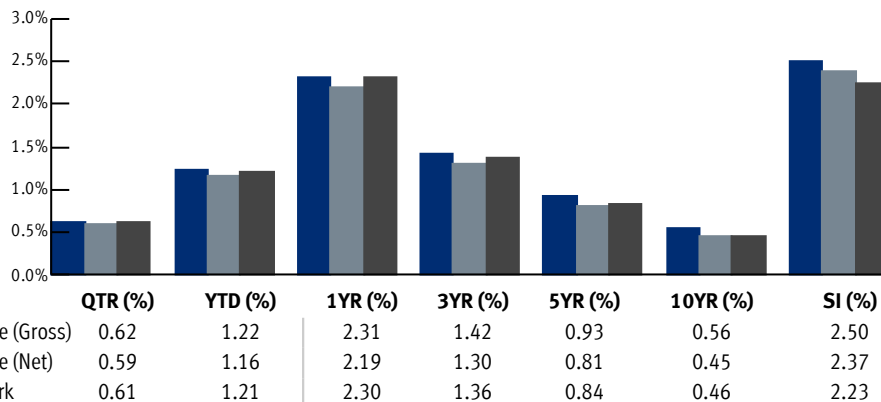
Financial markets took a volatile turn during the second quarter. Of particular concern was the unpredictability of continuing deliberations between the US and China on trade negotiations. The situation took a worrisome turn in May, when trade talks seemingly fell apart; however, at the end of the quarter the US and China appeared to reach a truce that eased tensions and put trade discussions back on track. Consequently, markets reacted positively and equities ended the quarter with one of the strongest June performances on record.

The Federal Reserve kept rates steady in June. Fed Chair Jerome Powell and his colleagues are facing the strongest expectations of rate cuts since they began gradually raising the fed funds rate in December 2015. Even as markets increasingly expect the Fed to cut rates before the end of the year, the stable US economic picture can still afford room for the central bank to bide its time in the near term.

Treasury yields ended the quarter significantly lower as yields fell 30 to 50 bps across the curve. The Treasury curve has fallen sharply from its peak in early November, with the 10-year Treasury down over 100 bps to 2.01% at the end of June. More strikingly, the curve has inverted, with the spread between the 10-year and 3-month Treasury yields now -8 bps. The flat-to-inverted yield curve is a reflection of market concerns about future growth.

2019 may bring decelerating US GDP growth in a range of 2.0-2.5%, as overall economic health remains decent, but risks continue to grow. Markets are increasingly looking for central banks to be more accommodative as headwinds accumulate. In the near term, we expect US rates to be flat and range bound with the 10-year firmly below 2.5%.

## Investment Performance



Past performance is not indicative of future results.

Source: RBC Global Asset Management, FTSE

Inception of the performance record is 3.1.96.

Returns are presented in gross and net of fees and include the reinvestment of all income. All returns for periods greater than one year are shown on an annualized basis. Performance and composite information presented is supplemental to the "GIPS® Compliant Presentation" which contains additional information regarding calculation of performance data.

## Strategy Overview

- \$11,504 Million Assets Under Management
- Inception: March 1996
- Benchmark: FTSE 3-Month Treasury Bill
- Vehicles: Separate Account, US Mutual Fund

## Investment Philosophy & Style

- A well constructed diversified portfolio managed within an active risk framework will enhance consistent income with low volatility
- Thorough understanding of the issuer, credit and debt structure
- Focus on security selection and curve exposure while actively managing duration, call and extension risk
- Invest in out-of-benchmark sectors when expected return justifies the opportunity
- Avoid making large duration calls

## Risk Management

- Mandate and policy controls
- Full, multidisciplinary vetting of client policies and objectives
- Multiple levels of review
- Clear accountabilities and cross checks
- High quality focus reduces credit risk

## Portfolio Construction

- Duration Range: 0-270 days
- Maturity Range: 0-13 months
- Investment Universe: US Treasury, Agency, Agency guaranteed obligations
- Credit Quality: AAA, fully customizable

## Investment Team

**Brandon T Swensen, CFA**, Managing Director, Co-Head, US Fixed Income  
Industry Experience: 21 years

**Brian Svendahl, CFA**, Managing Director, Co-Head, US Fixed Income  
Industry Experience: 27 years

Supported by a team of 13 portfolio managers and research analysts

## About RBC Global Asset Management

- Over \$345 billion Assets Under Management
- Offices in North America, Europe and Asia
- Over 340 investment professionals globally
- Part of Royal Bank of Canada (RBC), one of the highest rated and largest banks in the world\*

\*Ratings: S&P: AA-, Moody's: Aa2 (Bloomberg, 6.30.19). Ranked 5th largest bank in North America and 10th globally based on market capitalization (Bloomberg, 6.30.19).

## Portfolio Characteristics<sup>1</sup>

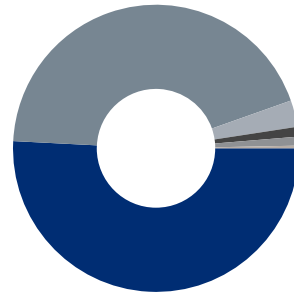
Weighted Average Maturity  
Market Yield

**Strategy**  
13.0 days  
2.4%

**Benchmark**  
95.0 days  
2.1%

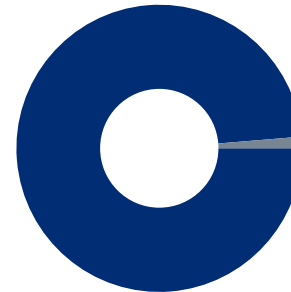
## Distribution<sup>1</sup>

**Sector**



Agency	50.8%
Repo	43.8%
Agency Secured	3.0%
Municipal	1.1%
Treasury	1.0%
Corporate	0.3%

**Credit**



AAA	98.7%
AA	1.3%

Past performance is not indicative of future results.

Source: RBC Global Asset Management, FTSE, FactSet

<sup>1</sup>Supplemental information complements the "GIPS<sup>®</sup> Compliant Presentation" as provided. The information presented are those of the representative account in the strategy. There is no guarantee that every account will be identical to the information presented here.

This presentation should not be construed as a recommendation to buy or sell any financial instruments. The information contained herein should not be relied upon as the sole investment-making decision.

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# GIPS® Compliant Presentation, as of June 30, 2019

## RBC GAM U.S. Money Market - Government Cash Management

Inception Date: March 1, 1996

Benchmark: FTSE 3-Month T-Bill Index

Currency: USD

### Annual Returns

Year End	Composite Gross Return (%)	Composite Net Return (%)	Benchmark Return (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)	Composite Assets (millions)	Firm Assets (millions)
2009	0.55	0.47	0.16	0.56	0.55	10	0.18	8,187.3	228,136.6
2010	0.27	0.18	0.13	0.37	0.25	10	0.05	7,470.4	252,397.6
2011	0.19	0.10	0.08	0.08	0.02	6	0.05	7,764.3	244,857.4
2012	0.17	0.08	0.07	0.03	0.01	6	0.01	7,372.5	279,416.3
2013	0.12	0.00	0.05	0.02	0.01	6	0.02	7,952.5	296,003.0
2014	0.10	-0.02	0.03	0.02	0.01	6	0.02	7,620.3	302,064.4
2015	0.13	0.01	0.03	0.03	0.01	6	0.02	8,478.5	276,979.3
2016	0.49	0.37	0.27	0.06	0.03	5	0.07	14,095.9	289,538.6
2017	0.89	0.76	0.84	0.10	0.11	5	0.03	7,883.9	331,885.2
2018	1.90	1.78	1.86	0.18	0.20	3	0.02	5,891.6	305,983.2

**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; Phillips, Hager & North Investment Management (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\$417 billion (US\$305 billion) in assets under management as at December 31, 2018. 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. A complete list and description of the firm's composites and performance results is 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, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The U.S. Money Market - Government Cash Management composite has been examined for the periods January 1, 2008 - December 31, 2017. The verification and performance examination reports are available upon request.

**Composite Description:** The Government Cash Management Composite consists of accounts that invest primarily in U.S. Treasury and/or Agency obligations maturing in 13 months or less.

**Benchmark:** The benchmark for this composite is the FTSE 3-Month T-Bill Index. The FTSE 3-Month T-Bill index is an unmanaged index that measures the performance of U.S. Treasury Bills with a maturity of 3 months. It excludes Agency securities, which may be purchased by accounts invested in this strategy. Index returns are provided for comparison purposes to represent the investment environment existing during the time periods shown. An index is fully invested, includes the reinvestment of dividends and capital gains, but does not include any transaction costs, management fees, or other costs. Holdings of each separately managed account in a composite will differ from the index. An investor may not invest directly in an index.

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

**Net of Fees:** Net of fee performance is calculated using the maximum stated fee of 0.12% applied monthly. Prior to January 1, 2013 net of fee performance was calculated using actual fees.

**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 U.S. Dollars, and include the reinvestment of all income. Additional information regarding policies for valuing portfolios, calculating performance, and preparing presentations 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.

**3-Year Standard Deviation:** Periods with less than 3 years of data will show "n/a".

**Derivatives, Leverage and Short Positions:** None of these strategies is currently employed by any accounts in this composite.

**Cash Flow Policy:** This composite does not have a cash flow policy.

**Fee Schedule:** 0.12% on first \$100 million; 0.10% on assets exceeding \$100 million. Advisory fees are described on this page and in Form ADV Part 2A. RBC GAM reserves the right to negotiate all advisory fees.

**Minimum Account Size:** There is currently no minimum account size for inclusion in this composite. Prior to January 1, 2005 the minimum size for inclusion was \$5 million.

**Creation Date:** This composite was created on and has an inception date of March 1, 1996.

**Composite History:** Prior to July 1, 2005, this composite was called the Cash Management Agency Composite. The composite was redefined to include registered money funds as of April 1, 2006.

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