



Short Duration: 1-3 Year High Quality Credit

Quarterly Commentary

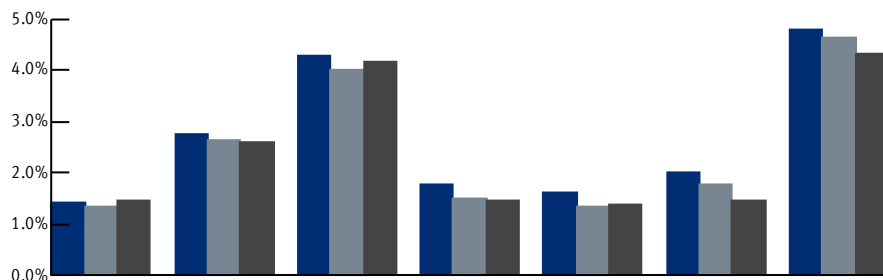
Financial markets took a volatile turn during the second quarter. Of particular concern was the unpredictability of continuing deliberations between the US and China on trade negotiations. The situation took a worrisome turn in May, when trade talks seemingly fell apart; however, at the end of the quarter 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



	QTR (%)	YTD (%)	1YR (%)	3YR (%)	5YR (%)	10YR (%)	SI (%)
Composite (Gross)	1.43	2.77	4.28	1.78	1.63	2.01	4.80
Composite (Net)	1.36	2.64	4.02	1.51	1.35	1.77	4.63
Benchmark	1.46	2.59	4.16	1.48	1.37	1.46	4.32

Past performance is not indicative of future results.

Source: RBC Global Asset Management, ICE Data Indices

Inception of the performance record is 7.1.89.

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 and benchmark information. The benchmark was changed from the ICE BofA Merrill Lynch 1-3 Year U.S. Corporate & Government Index on January 1, 2014 and changed from the ICE BofA Merrill Lynch U.S. Treasury & Agency Index on August 1, 2010. Index returns link the ICE BofA Merrill Lynch 1-3 Year AAA-A U.S. Corporate & Government Index to the previous benchmarks.

Strategy Overview

- \$7,383 Million Assets Under Management
- Inception: July 1989
- Benchmark: ICE BofA Merrill Lynch 1-3 Year AAA-A U.S. Corporate & Government Index
- Vehicles: Separate Account, US Mutual Fund

Investment Philosophy & Style

- A well constructed diversified portfolio managed within an active risk framework will enhance consistent income over various market cycles
- 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: 0-3 years
- Maturity Range: 0-5 years
- Investment Universe: Treasuries, Agencies, Corporates, Taxable Municipals, Agency Secured, Mortgage Backed
- Credit Quality: securities rated from AAA to BBB, 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*

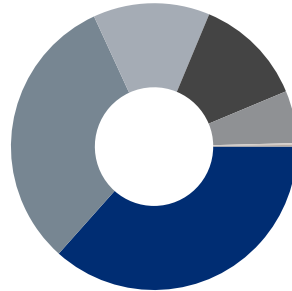
*Ratings: S&P: AA-, Moody's: Aa2 (Bloomberg, 6.30.19). Ranked 5th largest bank in North America and 10th globally based on market capitalization (Bloomberg, 6.30.19).

Portfolio Characteristics¹

	Strategy	Benchmark
Effective Duration	1.8 years	1.8 years
Market Yield	2.1%	1.9%
Average Credit Quality	AA	AA+

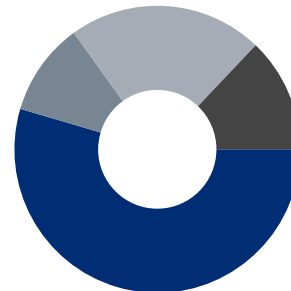
Distribution¹

Sector



Agency	5.9%
Corporate	36.6%
Treasury	31.5%
Municipal	13.2%
Agency Secured	12.4%
MBS	0.2%
ABS	0.2%

Credit



AAA	54.5%
AA	10.5%
A	22.0%
BBB	12.9%

Past performance is not indicative of future results.

Source: RBC Global Asset Management, ICE Data Indices, FactSet

¹Supplemental information complements the "GIPS[®] 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.

GUS/6.30.19/ST055/NOV19/A

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GIPS® Compliant Presentation, as of June 30, 2019

RBC GAM U.S. Fixed Income - Short Duration 1-3 Year High Quality

Inception Date: July 1, 1989

Benchmark: Short Duration 1-3 Year High Quality Benchmark

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	6.41	6.29	1.23	1.45	1.82	6	1.41	288.8	228,136.6
2010	3.50	3.37	2.57	1.46	1.68	5	0.68	257.1	252,397.6
2011	2.33	2.20	1.56	1.06	0.98	5	0.11	262.6	244,857.4
2012	1.80	1.67	1.48	0.81	0.71	4	0.15	245.3	279,416.3
2013	0.53	0.23	0.71	0.73	0.54	5	0.02	358.7	296,003.0
2014	1.21	0.91	0.72	0.71	0.48	4	0.20	304.3	302,064.4
2015	0.91	0.61	0.66	0.75	0.57	4	0.06	167.5	276,979.3
2016	1.30	0.99	1.07	0.77	0.74	3	0.16	142.3	289,538.6
2017	1.20	0.93	0.70	0.72	0.72	4	0.15	148.8	331,885.2
2018	1.74	1.48	1.63	0.75	0.82	4	0.04	152.7	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. Fixed Income - Short Duration 1-3 Year High Quality composite has been examined for the periods January 1, 2002 - December 31, 2017. The verification and performance examination reports are available upon request.

Composite Description: The Short Duration 1-3 Year High Quality Composite consists of short duration accounts invested in taxable, high quality, fixed income securities. Client portfolios have the ability to invest across multiple fixed income sectors including government bonds, corporate bonds, and structured product.

Benchmark: The Short Duration 1-3 Year High Quality Benchmark consists of the ICE BofA Merrill Lynch 1-3 Year AAA-A U.S. Corporate & Government Index, which is an unmanaged index that measures the performance of short duration, U.S. investment-grade fixed income securities rated A and higher. The benchmark was changed from the ICE BofA Merrill Lynch 1-3 Year U.S. Corporate and Government Index on January 1, 2014 to better reflect the investment guidelines of portfolios included in this composite. Prior to August 1, 2010 the benchmark was the ICE BofA Merrill Lynch U.S. Treasury & Agency Index, which was changed to the ICE BofA Merrill Lynch U.S. Corporate & Government Index to better reflect the securities, purchased in this strategy. Index returns link the ICE BofA Merrill Lynch 1-3 Yr. AAA-A U.S. Corp/Gov't Index to the previous benchmarks. 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 annual fee of 0.25% applied monthly. Prior to April 1, 2017 net of fee performance was calculated using an annual fee of 0.30% 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: Portfolios in the composite may employ the use of over the counter and exchange traded derivatives where permitted by investment guidelines. Derivatives contracts such as, but not limited to, U.S. Treasury bond futures, Eurodollar futures, interest rate futures, and interest rate swaps may be used for hedging market risk and to manage and adjust duration profiles. Derivatives are not used for speculative purposes, however, they may represent a significant percentage of the portfolio when calculated using the notional amount. No portfolios in this composite utilize leverage or short positions, with the exception of the aforementioned derivatives strategy.

Cash Flow Policy: As of April 1, 2015 the significant cash flow policy was removed from the composite. Prior to that date, composite policy required the temporary removal of any portfolio incurring a client-initiated significant cash inflow or outflow of at least 10% of portfolio assets. The temporary removal of such an account occurred at the beginning of the month in which the significant cash flow occurred and the account re-entered the composite the first full month of being fully invested.

Fee Schedule: 0.25% on first \$25 million; 0.15% on next \$25 million; 0.10% on next \$50 million; 0.08% 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. From January 1, 1997 through January 1, 2005 the minimum size for inclusion was \$5 million. Prior to January 1, 1997 the minimum size for inclusion was \$1 million.

Creation Date: This composite was created on January 1, 1993 and has an inception date of July 1, 1989.

Composite History: Prior to December 1, 2016 this composite was named Short Core. Prior to March 31, 2005, this composite was named Short Total Return.

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