



Short Duration: 1-3 Year Government

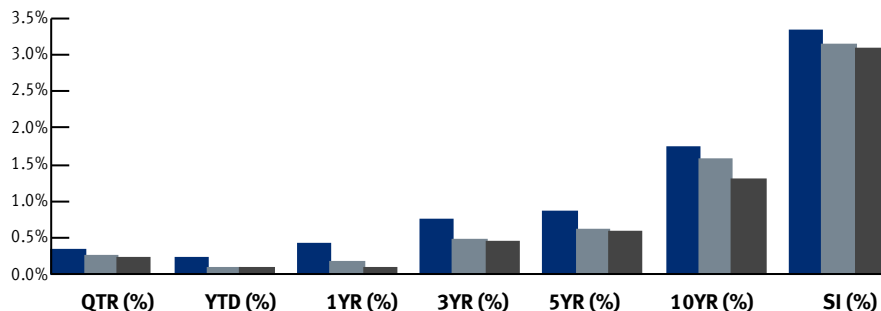
Quarterly Commentary

The heightened levels of market volatility experienced during the first quarter of 2018 spilled over into the second quarter. Financial markets have experienced large swings in valuations during the first half of the year, with notable increases in bond yields, oil prices and the US dollar. Inflation is rising and the US Consumer Price Index jumped to 2.8% in May, the largest advance in six years. In addition, the euphoria following tax cuts has now been tempered as the impact of protectionist policies has moved front and center. Political turmoil in Italy, trade wars with China, tariff threats and other geopolitical concerns remain key risks that are driving market sentiment. Against this backdrop, risk assets have struggled to make the kind of gains in valuations that came so easily in 2017.

The Federal Reserve's Open Market Committee raised their overnight Fed Funds Rate in June by 25 basis points (bps) to a range of 1.75%-2.00%. The June rate hike was widely anticipated and marked the second move in 2018. In addition, the message accompanying the decision was mostly hawkish as the Fed intends to raise rates another two times in 2018, which would result in a more aggressive total of four rate increases for the year.

For 2018, we anticipate US GDP to grow at a 3% pace as financial conditions remain accommodative, confidence remains high and business fundamentals remain strong. Tailwinds from fiscal stimulus and tax reform have provided a boost to growth. However, the benefits of this stimulus will fade beyond 2018 and the Fed will have to contend with a flattening yield curve and slowing growth. Protectionism, potential trade wars and geopolitical risk will also weigh on the outlook.

Investment Performance



	QTR (%)	YTD (%)	1YR (%)	3YR (%)	5YR (%)	10YR (%)	SI (%)
Composite (Gross)	0.33	0.22	0.42	0.74	0.87	1.75	3.32
Composite (Net)	0.27	0.09	0.17	0.49	0.62	1.56	3.14
Benchmark	0.22	0.10	0.10	0.44	0.60	1.30	3.08

Past performance is not indicative of future results.

Source: RBC Global Asset Management, ICE Data Indices

Inception of the performance record is 1.1.98.

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

- \$7,306 Million Assets Under Management
- Inception: January 1998
- Benchmark: ICE BofA Merrill Lynch 1-3 Year U.S. Treasury & Agency Index
- Vehicles: Separate Account

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, Taxable or Tax-exempt 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: 20 years

Brian Svendahl, CFA, Managing Director, Co-Head, US Fixed Income
Industry Experience: 26 years

Supported by a team of 13 portfolio managers and research analysts

About RBC Global Asset Management

- Over \$325 billion Assets Under Management
- Offices in North America, Europe and Asia
- Over 300 investment professionals globally
- Part of Royal Bank of Canada (RBC), one of the highest rated and largest banks in the world*

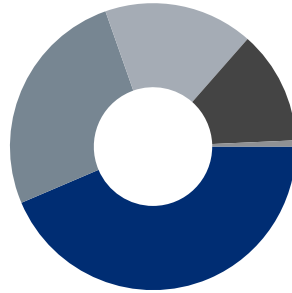
*Ratings: S&P: AA-, Moody's: A1 (Bloomberg, 6.30.18). Ranked 5th largest bank in North America and 10th globally based on market capitalization (Bloomberg, 6.30.18).

Portfolio Characteristics¹

	Strategy	Benchmark
Effective Duration	1.8 years	1.8 years
Yield to Maturity	2.7%	2.5%
Average Credit Quality	AAA	AAA

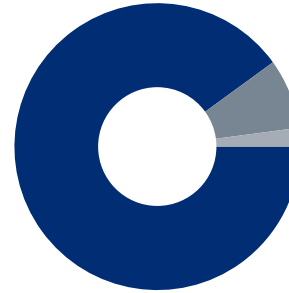
Distribution¹

Sector



Agency Secured	43.6%
Agency	26.0%
Treasury	16.9%
Municipal	12.8%
MBS	0.7%

Credit



AAA	90.0%
AA	7.9%
A	2.1%

Past performance is not indicative of future results.

Source: RBC Global Asset Management, 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.

These materials are general and have not been tailored for any specific recipient and should not be relied upon solely for investment making decisions. This material is not intended to cause the recipient to become a fiduciary within the Employee Retirement Income Security Act of 1974 or the Internal Revenue Code of 1986. We are not providing impartial investment advice, or giving advice in a fiduciary capacity. While we have a financial interest in a transaction, we do not receive compensation directly from you or your clients for the provision of investment advice in connection with any such transaction.

RBC Global Asset Management ("RBC GAM") is the asset management division of RBC and comprises the following affiliates, all of which are indirect wholly owned subsidiaries of RBC: RBC Global Asset Management (U.S.) Inc. ("RBC GAM-US"), RBC Global Asset Management Inc., RBC Global Asset Management (UK) Limited ("RBC GAM-UK"), BlueBay Asset Management LLP, BlueBay Asset Management USA LLC and the asset management division of RBC Investment Management (Asia) Limited. ® Trademark of RBC. Used under license. © 2018 RBC Global Asset Management (U.S.) Inc.

GIPS® Compliant Presentation, as of June 30, 2018

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

Inception Date: January 1, 1998

Benchmark: ICE BofA Merrill Lynch 1-3 Year US Treasury & Agency Index

Currency: USD

Annual Returns	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)
2008	6.57	6.41	6.75	1.47	1.61	3	0.12	43.3	164,090.1
2009	3.05	2.94	1.23	1.56	1.82	5	0.01	107.1	228,136.6
2010	2.86	2.74	2.34	1.53	1.68	5	0.14	266.8	252,397.6
2011	1.93	1.82	1.55	0.90	0.96	5	0.18	271.4	244,857.4
2012	1.31	1.20	0.51	0.72	0.70	6	0.07	320.2	279,416.3
2013	0.43	0.18	0.36	0.54	0.48	5	0.11	304.2	296,003.0
2014	0.94	0.69	0.62	0.53	0.42	7	0.05	537.5	302,064.4
2015	0.76	0.51	0.55	0.62	0.55	6	0.07	585.3	276,979.3
2016	1.10	0.85	0.89	0.77	0.75	12	0.06	1,250.8	289,538.6
2017	0.87	0.62	0.44	0.75	0.73	6	0.24	689.2	331,885.2
YTD 2018	0.22	0.09	0.10	0.73	0.73	5	0.02	682.8	325,530.9

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\$331 billion) in assets under management as at December 31, 2017. 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 Government composite has been examined for the periods January 1, 2003 - December 31, 2017. The verification and performance examination reports are available upon request.

Composite Description: The Short Duration 1-3 Year Government Composite consists of accounts that invest primarily in short duration taxable U.S. Treasury and Government Agency securities. Holdings may include government-guaranteed structured product and taxable municipals.

Benchmark: The benchmark for this composite is the ICE BofA Merrill Lynch 1-3 Year U.S. Treasury & Agency Index, which is an unmanaged index which measures the performance of certain U.S. Government bonds with maturities of 1-3 years. 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 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 are currently employed by any accounts in this composite.

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 no minimum account size for this composite.

Creation Date: This composite was created on January 1, 2008 and has an inception date of January 1, 1998.

Composite History: Prior to December 1, 2016 this composite was named Short Government. This composite was redefined on July 1, 2016 to include a broader range of accounts that invest primarily in short duration U.S. Government securities. The change was made because the more constrained accounts that had previously been excluded were determined to have risk and return profiles that were substantially similar to accounts included in the composite, and that their inclusion would more fully represent RBC GAM-US capabilities in this space.

GIPS® is a registered trademark owned by CFA Institute.

®/™ Trademark(s) of Royal Bank of Canada. Used under license. © RBC Global Asset Management Inc., 2018



RBC Global Asset Management (U.S.) Inc
 Minneapolis | Boston | Chicago
 800.553.2143 | us.rbcgam.com