PH&N Balanced Pension Trust

Pre-Fee Rates of Returns March 31, 2021 (%)	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	10 Yr	SI
PH&N Balanced Pension Trust	**1.49**	**28.20**	**11.41**	**9.70**	**8.85**	**9.52**	**8.27**	**7.82[1]**
*BPT Benchmark**	*1.09*	*23.16*	*9.31*	*8.36*	*7.36*	*8.19*	*7.14*	*7.26*
Relative Performance	+0.40	+5.04	+2.10	+1.34	+1.49	+1.33	+1.13	+0.56
Total Cash & Equivalents	0.04	0.27	1.25	1.47	1.40	1.29	1.10	
FTSE Canada 30-Day T-Bill Index	*0.02*	*0.17*	*0.96*	*1.11*	*1.03*	*0.92*	*0.87*	
Total Bonds	-4.04	4.43	4.52	4.77	3.94	3.65	4.39	
PH&N Bond Fund	-4.90	3.25	4.01	4.43	3.67	3.35	4.37	
PH&N High Yield Bond Fund	2.19	19.16	7.16	6.41	5.99	8.53	6.70	
RBC Global Bond Fund**	-3.52	1.38	4.27	4.33	4.06	3.60	5.02	
FTSE Canada Universe Bond Index	*-5.04*	*1.62*	*3.03*	*3.77*	*3.16*	*2.83*	*3.98*	
Total Real Estate	1.25	-0.54	-	-	-	-	-	
RBC Canadian Core Real Estate	1.25	-0.52	-	-	-	-	-	1.10[2]
Canadian CPI (Non-Seasonally Adjusted) 1-month lag + 400 bps	*1.82*	*5.09*	-	-	-	-	-	*5.38*
Total Canadian Equities	9.38	47.22	12.70	11.08	8.09	10.52	7.20	
PH&N Canadian Equity Underlying Fund	9.19	46.23	12.22	10.77	7.86	10.34	7.07	7.45[3]
S&P/TSX Capped Composite Index	*8.05*	*44.25*	*11.24*	*10.19*	*8.01*	*10.05*	*6.00*	*6.36*
PH&N Canadian Equity Value Fund	10.93	39.82	8.62	8.69	7.09	9.10	7.52	
PH&N Small Float Fund	7.55	61.82	21.78	16.57	12.25	14.22	13.14	
S&P/TSX Capped Composite Index	*8.05*	*44.25*	*11.24*	*10.19*	*8.01*	*10.05*	*6.00*	
Total Global Equities	2.03	43.40	15.39	12.32	14.14	14.68	13.73	
RBC Global Equity Focus Fund	-0.08	46.32	18.39	15.94	17.70	17.40	-	16.90[4]
MSCI World Net Index (C$)	*3.51*	*36.01*	*13.95*	*11.86*	*11.34*	*12.71*	-	*11.92*
RBC QUBE Global Equity Fund	5.26	39.57	12.56	9.18	11.05	12.24	-	13.89[5]
MSCI World Net Index (C$)	*3.51*	*36.01*	*13.95*	*11.86*	*11.34*	*12.71*	-	*13.68*
RBC Emerging Markets Equity Fund	1.77	40.80	11.23	8.42	10.83	12.18	9.50	
MSCI Emerging Markets Net Index (C$)	*0.91*	*39.86*	*10.75*	*5.57*	*9.18*	*11.42*	*6.34*	

*BPT Benchmark (November 2020-Present):1% FTSE Canada 30 Day TBill Index, 36% FTSE Canada Universe Bond Index, 3% Canada CPI (Non-Seasonally Adjusted) 1-month lag + 400 bps, 20% S&P/TSX Capped Composite Total Return Index, 36% MSCI World Total Return Net Index (CAD), 4% MSCI Emerging Markets Total Return Net Index.

Previous BPT Benchmarks: (October 2019-October 2020):1% FTSE Canada 30 Day TBill Index, 39% FTSE Canada Universe Bond Index, 20% S&P/TSX Capped Composite Total Return Index, 36% MSCI World Total Return Net Index (CAD), 4% MSCI Emerging Markets Total Return Net Index.
(October 2014-September 2019): 2% FTSE Canada 30-Day T-Bill, 38% FTSE Canada Universe Bond Index, 30% S&P/TSX Capped Composite Index, 26% MSCI World Net Index (CAD) and 4% MSCI Emerging Market Index Net (CAD).

(Inception-September 2014): 5% DEX 30-Day T-Bill, 35% DEX Universe Bond Index, 35% S&P/TSX Capped Composite Index, 25% MSCI World ex-Canada Index (CAD)
** The FTSE WGBI Index (CAD) Hedged Index is the benchmark for the fund. The FTSE Canada Universe Bond Index is shown for illustrative purposes only.

[1] Inception date: October 31, 2002; [2] Inception date: October 31, 2019; [3] Inception date: January 31, 2011; [4] Inception date: April 28, 2014; [5] Inception date: June 30, 2013

Series O performance. Periods less than one year are not annualized. Unless otherwise indicated, all returns cited in this report are expressed in Canadian dollar terms

Within the PH&N Balanced Pension Trust, we executed two asset mix shifts this quarter that had the net effect of slightly reducing the size of our overweight exposure to equities. We continue to believe that global equity markets will benefit from economic normalization and renewed expansion. However, we are also seeing some signs of exuberance – notably in the IPO market and in select commodity and tech valuations – so have been careful to not let our equity exposure drift too far ahead of our targets. In fixed income, bond yields rose sharply off their lows over the first quarter, finishing the period meaningfully higher than at the close of Q4. We expect that government bonds will remain range bound in the medium term and now offer more attractive return potential; thus, we directed the proceeds of our equity trims to bonds.

The PH&N Balanced Pension Trust returned 1.49% over the first quarter, bringing the one-year return to 28.20%.

At the end of the quarter, the portfolio's asset weighting was as follows:

Portfolio Asset Mix as at March 31, 2021 (%)

	PH&N BPT	Benchmark
Cash & Equivalents	0.3	*1.0*
Bonds	33.4	39.0
PH&N Bond Fund	23.9	
PH&N High Yield Bond Fund	3.0	
RBC Global Bond Fund	6.5	
Real Estate	2.7	
Canadian Equities	21.0	*20.0*
PH&N Canadian Equity Underlying Fund	13.6	
PH&N Canadian Equity Value Fund	5.3	
PH&N Small Float Fund	2.1	
Global Equities	42.6	*40.0*
RBC Global Equity Focus Fund	23.1	
RBC QUBE Global Equity Fund	15.5	
RBC Emerging Market Equity Fund	4.0	
Total Portfolio	**100.0**	***100.0***

Attribution of the one-year results is shown below:

PH&N Balanced Pension Trust Attribution – Total Fund One Year Ending March 31, 2021 (%)

	Returns			Attribution		
	Portfolio	Benchmark	Relative Performance	Asset Allocation	Security Selection	Total Effect
Cash & Equivalents	0.27	0.17	0.10	-0.02	0.00	-0.02
Fixed Income	4.43	1.62	2,81	0.51	0.90	1.41
Real Estate	-0.54	8.76	-9.30	0.00	-0.22	-0.22
Canadian Equity	47.22	44.25	2.97	0.05	0.43	0.48
Global Equity	43.40	36.49	6.91	0.29	2.11	2.41
Total	**28.20**	**23.16**	**5.04**	**0.84**	**3.24**	**4.10**

Please note that the column totals may not add due to a compounding and interaction effect.

PH&N Bond Fund

The PH&N Bond Fund returned -4.90% in the first quarter and 3.25% over the past year, outperforming its benchmark over both periods.

Global economies continued to experience strong and swift recoveries as vaccine roll-outs allowed for lockdown restrictions to ease, and as a result, most central banks' growth projection for 2021 improved materially. In light of the robust economic rebound, rising inflation pressures permeated the market and caused bond yields to increase meaningfully over the quarter. The volatility in bond yields was further exacerbated by a number of technical factors at the end of February; as a result, that month the 10-year Government of Canada (GoC) bond yield experienced its largest one-month increase in over a decade. GoC bond yields increased precipitously across all tenors of the yield curve during the first quarter, resulting in negative performance for the FTSE Canada Universe Bond Index, which returned -5.0% in the first quarter.

Active positioning of the portfolio, particularly within credit and liquidity strategies, resulted in the portfolio finishing the quarter modestly ahead of the benchmark. Overall, the portfolio's risk budget remained focused on credit and liquidity strategies over interest rate anticipation strategies, and we continued to upgrade the credit quality of the portfolio during the quarter.

The portfolio's duration positioning contributed slightly to relative performance, while yield curve positioning was the largest detractor during the quarter. Positioning across the yield curve is a function of where we see the most attractive opportunities within credit and liquidity strategies.

Market-implied long-term inflation expectations continued to rise over the quarter, resulting in a positive contribution from the out-of-benchmark position in real return bonds.

Provincial bonds contributed to relative performance as a result of the portfolio's overweight to mid- and long-term provincial bonds, whose spreads tightened over the quarter.

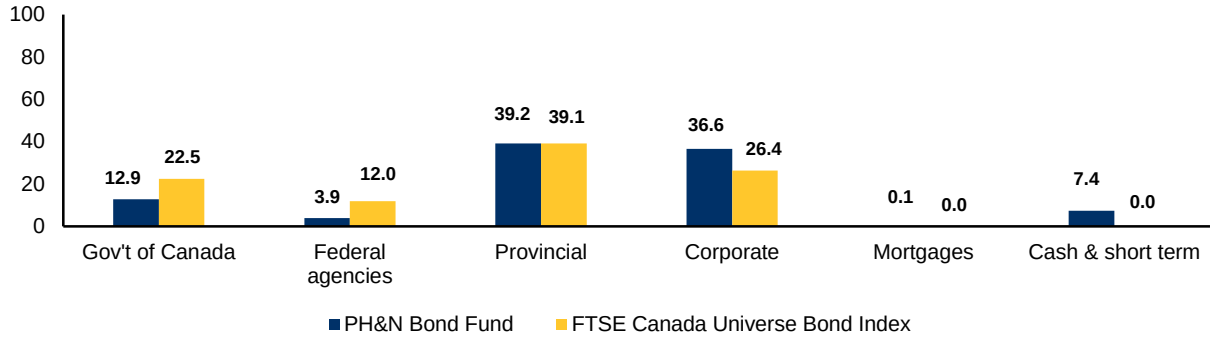
The portfolio's overweight exposure to investment grade corporate bonds as well as security selection decisions within this segment of the bond market both contributed to added value.

Bond yields spiked during the first quarter as investors digested improving economic conditions, optimism around vaccine rollouts, fresh U.S. fiscal stimulus, and rising inflationary pressures. Looking ahead, it would be reasonable to expect a further move higher in bond yields considering the budding economic recovery and news surrounding the tapering of bond purchase programs by central banks. While we tend to agree with the market that bond yields will move higher from present levels, our sense is that the pace should moderate given the still highly accommodative stance of central banks and in light of the fact that fiscal stimulus and inflation pressures are increasingly being priced into the bond market.

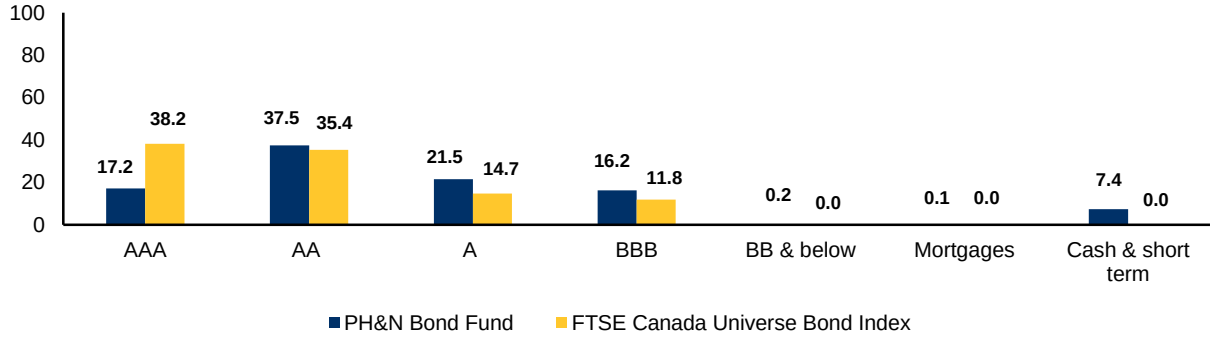
PH&N Bond Fund Portfolio Structure as of March 31, 2021

Fund Characteristics	Modified Duration (Yrs)	Term to Maturity (Yrs)	Yield to Maturity (%)
PH&N Bond Fund	7.73	10.60	1.84
FTSE Canada Universe Bond Index	*7.93*	*10.63*	*1.72*

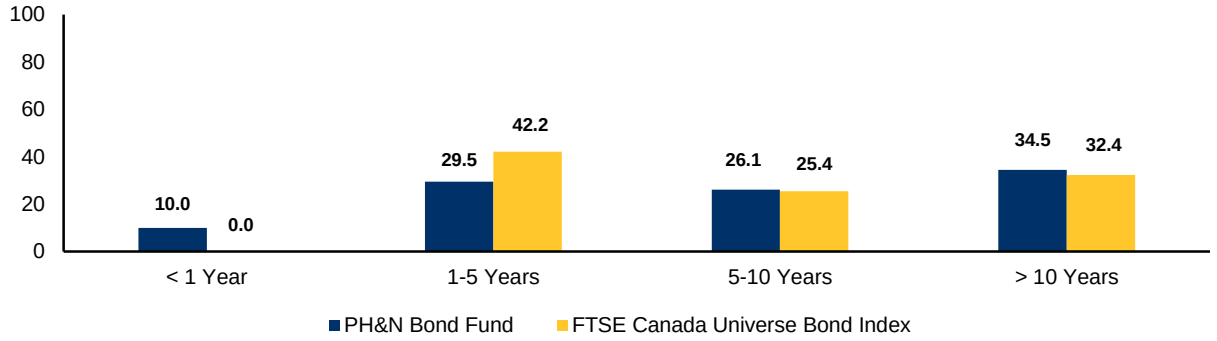
Issuer Analysis (%)



Rating Analysis* (%)



Maturity Analysis (%)



* Current ratings based on average across rating agencies (DBRS, Moody's, S&P) where available. Ratings at the time of purchase may differ. Totals may not add to 100% due to rounding.

PH&N High Yield Bond Fund

The PH&N High Yield Bond Fund returned 2.19% in the first quarter and 19.16% over the past year, outperforming its benchmark over both periods.

The fund performed well over the quarter, its fourth consecutive quarter of strong performance after the COVID-19 induced meltdown in March 2020.

Despite lingering concerns over further waves of COVID-19 infections and rising interest rates, high yield bonds behaved fairly well in the first quarter, supported by the ongoing global vaccine roll-out, continued government support, and resilience in global economic activity.

While government bond yields rose sharply this quarter, high yield bonds proved resilient as spreads narrowed further over the quarter, decreasing from 386 basis points on December 31, 2020 to 336 on March 31, 2021; this is down from a peak of 1087 in March 2020.

High yield new issuance was expected to slow from its torrid pace in the immediate aftermath of the onset of the pandemic; however, new issuance set new records this quarter as companies rushed to lock in low coupons before interest rates potentially rise further.

We expect this past quarter's pace of issuance to slow as we progress into 2021, but demand for high yield bonds to persist in light of the still relatively low interest rate environment. This should maintain a relatively favourable supply/demand dynamic.

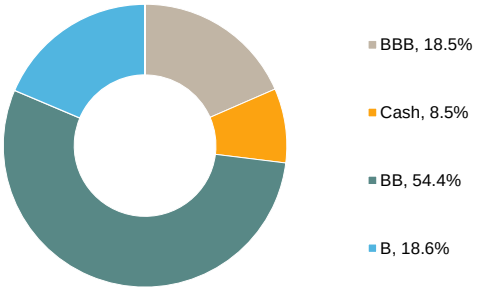
Trailing 1-year default rates ended the quarter at 5.4% and the peak defaults now seems well behind us. This is a much better result than what had been anticipated last spring.

Bull markets in high yield bonds rarely end so soon after a major peak in the default cycle. We therefore remain constructive on the asset class recognizing that the upside may also be fairly limited by current absolute yield levels.

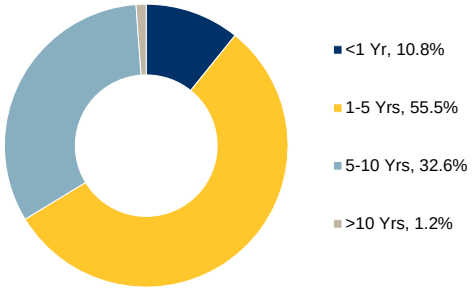
We believe that our well-diversified, conservative, shorter-duration portfolio with its bias to high-quality non-cyclical Canadian issuers is well positioned should new risk factors emerge or if interest rate spikes become unruly.

PH&N High Yield Bond Fund – Portfolio Structure as of March 31, 2021

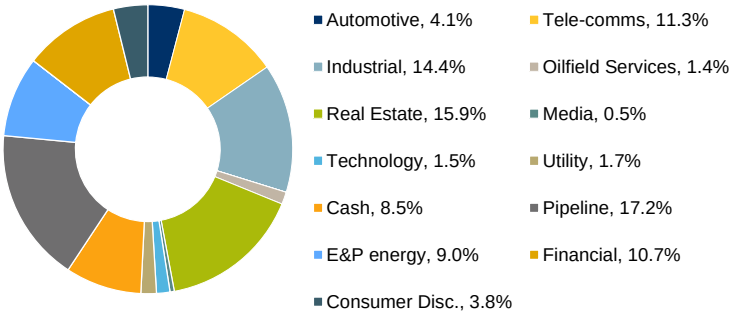
By Rating



By Maturity



By Industry Group



Effective Duration:	3.01 Years
Effective Yield:	3.57%
Average Term:	4.52 Years

Effective duration, effective yield, and average term have been calculated in BondLab, utilizing a proprietary option-adjusted model. Ratings are Bloomberg composites. Other metrics are available upon request.

RBC Global Bond Fund

The RBC Global Bond Fund returned -3.52% in the first quarter and 1.38% over the past year, underperforming its benchmark over the quarter but outperforming for the 12-month period.

Government bond yields in major developed markets rose meaningfully in the first quarter, leading to significant declines in major global bond indices. The rise in bond yields was driven by an improved global economic outlook in reaction to the continued rollout of vaccination programs in major economies as well as expectations of rising inflation from rock-bottom levels.

Fund performance was challenged by rising bond yields over the quarter. Positioning within core government bonds detracted on both an absolute and relative basis due to the fund's positioning bias towards a flattening yield curve as the U.S. yield curve steepened rapidly. Within European sovereigns, security selection added to relative performance through a preference for Italian bonds as countries within the European periphery generally outperformed the core issuers.

Credit positioning helped offset some of the detraction from core government positions and contributed positively to relative performance. Tightening credit spreads were especially helpful within lower quality corporate bonds, and as valuations within high yield markets rose higher we reduced some of our positions to capitalize on this performance.

Currency positioning was the largest detractor from relative performance during the quarter as Canadian dollar strength against developed and emerging market peers had a negative impact on currency overlay positions and the allocation to EM currencies.

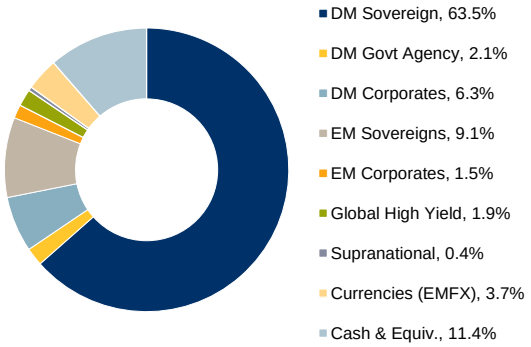
In reaction to the rapid re-pricing in the U.S. yield curve and other developed markets, the fund has been redeploying cash into short-to-intermediate maturity bonds, with the view that these assets will provide yield while remaining less vulnerable to further bouts of bond market volatility in the short term.

Following the rapid sell-off in core government bonds in Q1, we feel that this pace is unlikely to continue and expect markets will pause to digest the move that has already occurred. This said, government bond yields remain relatively low by historical standards and we feel that longer maturity U.S. Treasury yields and the shape of yield curve are within the range we'd expect in "normal" macroeconomic conditions.

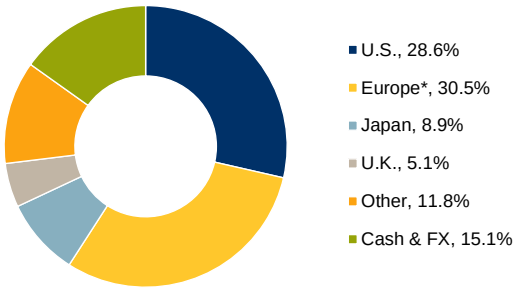
RBC Global Bond Fund
Portfolio Characteristics and Structure as of March 31, 2021

Fund Characteristics			
	Duration (Yrs)	Hedged Yield (%)	Avg. Rating
RBC Global Bond Fund	**8.12**	**1.37**	**AA**
Benchmark	*8.48*	*0.78*	*AA*

Asset Allocation Breakdown

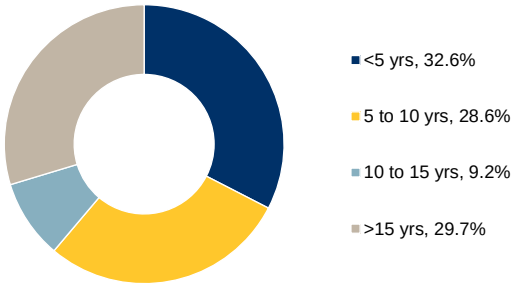


Regional Breakdown

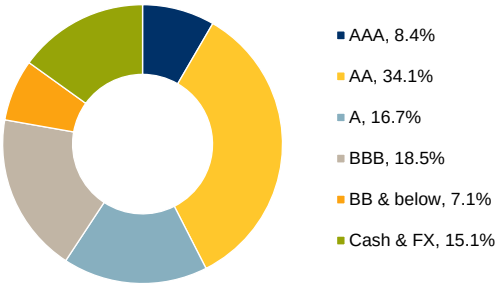


*Europe consists of European Monetary Union (EMU) members who qualify for consideration in the FTSE WGBI index

Maturity Breakdown



Credit Quality Breakdown



Totals may not add to 100% due to rounding.

RBC Canadian Core Real Estate Fund

The RBC Canadian Core Real Estate Fund returned 1.25% in the first quarter and -0.52 in the past year, underperforming its custom benchmark over both periods.

Since its inception on October 31, 2019, the fund has generated a total gross return of 1.10% (annualized), as resilient occupancy and cash flow levels have helped mitigate the impact of valuation declines in parts of the portfolio that were disproportionately impacted by the pandemic.

The fund successfully completed two third-party acquisitions in Q1 2021 on an off-market basis. Jointly with BCI, the fund acquired a 50% interest in two residential assets in North Vancouver in separate transactions totalling $54M at fund share. The first asset is a 96-unit, 6-storey residential complex constructed in 2019 and the second asset is a 99-unit, 6-storey residential complex completed in 2017. Consistent with the fund's sector investment plan, these acquisitions increased the residential weighting to 18% of total fund assets.

Some sector trends are described below:

Office: The narrative evolved in Q1 as occupants began to focus on the execution of their gradual return to office, and tour activity notably accelerated. In the short term, we continue to anticipate increasing office vacancy levels. While we expect new supply to increase availability, we believe that any potential supply imbalances will prove short lived as job creation and economic growth begin to re-inflate demand.

Retail: In 2020, e-commerce increased to comprise 5.8% of annual retail sales (up from 3.6% in 2019). Going forward, the growth trajectory is expected to be more modest as restrictions on social mobility dissipate. Furthermore, half of the total closures were concentrated in the mid-price fashion apparel segment, which was in secular decline prior to the pandemic. Retail remains one of the most flexible asset classes, and well-located properties in major population centres are most likely to recover quickly and adapt their uses and tenancies to the new normal.

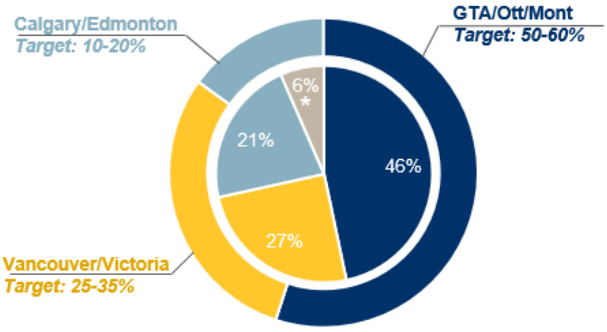
Industrial: The industrial sector remains in high demand from both tenant and capital perspectives, with vacancy rates near all-time lows in most major markets and development activity and rental rates near all-time highs. Increasing the Fund's industrial allocation remains one of the key investment priorities for 2021, with a focus on new generation distribution assets located in major population centres across the country.

Multi-Residential: Increasing the fund's allocation to multi-residential assets remains a second key investment priority, with a focus on the GTA and Vancouver markets. For the sector as a whole, strong fundamentals – most notably immigration inflows and constrained land supply – remain in place, and we expect these to once again become the key performance drivers for the sector once the initial economic shock of the pandemic settles.

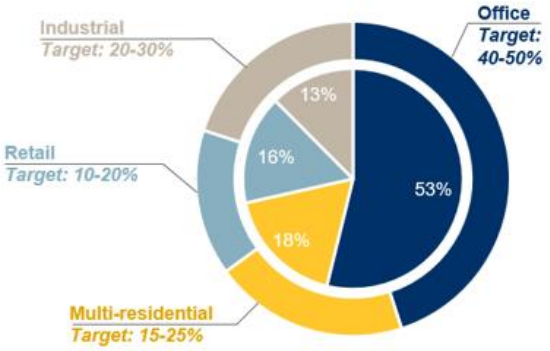
The fund started 2021 with strong progress on targeted operating and investment initiatives. With economic visibility improving, the outlook for the remainder of the year is positive.

RBC Canadian Core Real Estate Fund – Portfolio Structure as at March 31, 2021

Geographic Breakdown [1]



Property Type Breakdown [1]



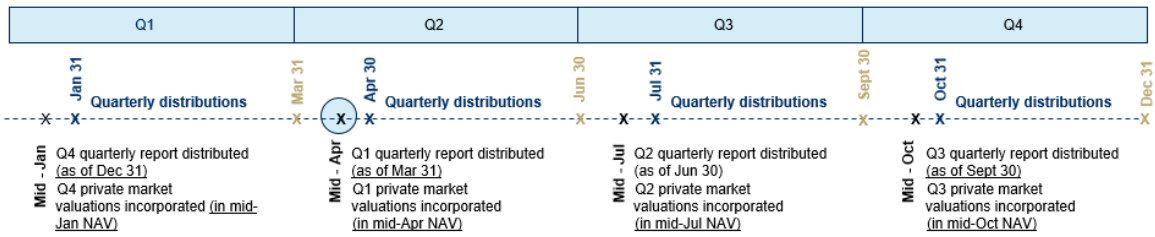
*'Other' = Hamilton, Kitchener, Cambridge, and Red Deer
Inner pie: Current allocations
Outer ring: Mid-term targets
[1] Exposure as of March 31, 2021 based on December 31, 2020 QuadReal market valuations. Portfolio characteristics are subject to change.

Portfolio Profile	
Gross Assets[2]	$2.68B
Net Assets[2]	$2.09B
Number of 50%-owned properties	31
Number of 5%-owned properties	19
Loan-to-value	22%

[2] Exposure as of March 31, 2021 based on December 31, 2020 QuadReal market valuations. Portfolio characteristics are subject to change.

Quarterly Reporting Process

The timeline below illustrates the typical progression of the quarterly reporting process and subsequent events.



PH&N Canadian Equity Underlying Fund

The PH&N Canadian Equity Underlying Fund returned 9.19% in the first quarter and 46.23% over the past year, outperforming its benchmark over both periods.

Overall, 5/11 sectors contributed to relative outperformance this quarter, led by Communications, Info Tech, and Industrials, while Financials and Consumer Staples detracted the most.

Outperformance in the Communications sector was led by our overweight position in high-conviction holding **Shaw** following an announcement that Rogers would be acquiring the Western-based telecommunications company. We believe the deal will receive regulatory approval, though it is likely that Rogers will need to divest Shaw's wireless business (Freedom Mobile). Despite this concession, we view the deal and the associated long-term strategic benefits positively. In particular, Rogers will gain access to Shaw's wireline network in Western Canada, allowing them to create bundled offers and build out their 5G network.

Industrials holding **SNC-Lavalin** had a strong quarter after announcing they would be selling their Resources Oil and Gas business (including services and lump-sum turnkey). We view this as a positive step towards reducing the company's risk profile, as they continue to reduce their fixed-price construction projects. Despite COVID-19 setbacks, we remain constructive on SNC and see upside potential.

Our overweight position in **Bausch Health** (formerly Valeant), contributed to relative returns. They stand to benefit from an economic recovery (e.g., more doctor visits, travel, and contact lens use) and are splitting out their eye care business, which was viewed positively. We expect some volatility in the near term as they continue to manage debt issues.

While Info Tech as a whole was additive to relative performance, our overweight position in **Kinaxis** (supply chain management software) was among the top individual detractors from returns. Management provided weak 2021 guidance due to unevenness stemming from their three-year license renewal cycle, making 2021 unfavourable but 2022 strong. We believe the market is being short-sighted, and we remain constructive on their growth prospects, particularly as we see employee headcount and CAPEX spending increasing. We took advantage of the stock weakness and added to our position.

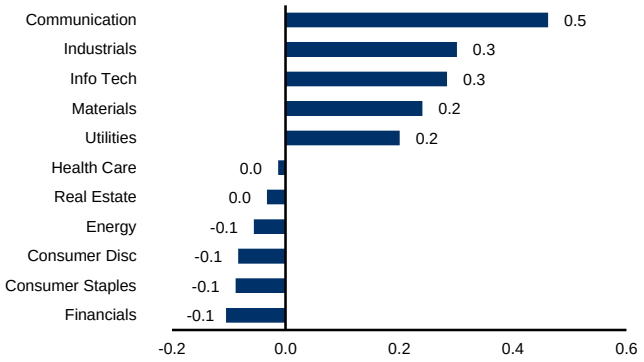
The top individual detractor from returns came from not owning cannabis company **Aphria,** which announced it would be merging with U.S.-listed Tilray. Cannabis stocks have been performing strongly since Biden's election and the establishment of a Democrat-controlled U.S. Senate following the run-off elections in Georgia in January. Investors are optimistic about U.S. cannabis legalization, though it remains uncertain who will benefit given there are a lot of competitors.

PH&N Canadian Equity Underlying Fund
Portfolio Attribution and Structure as of March 31, 2021

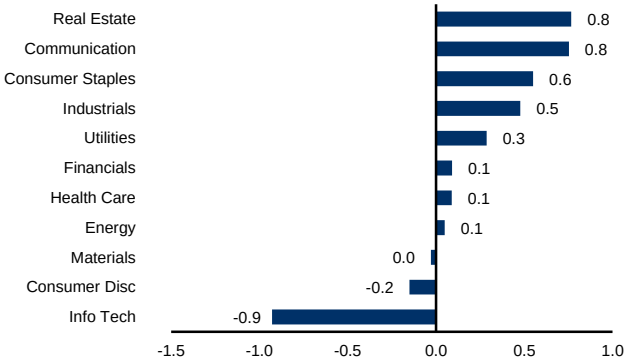
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
PH&N Canadian Equity Underlying Fund	**101**	**59.5**	**2.7**
S&P/TSX Capped Composite Index	*231*	*59.6*	*2.8*

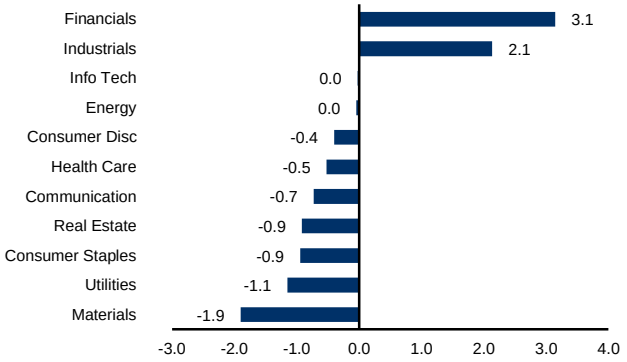
3 Month Attribution (%)



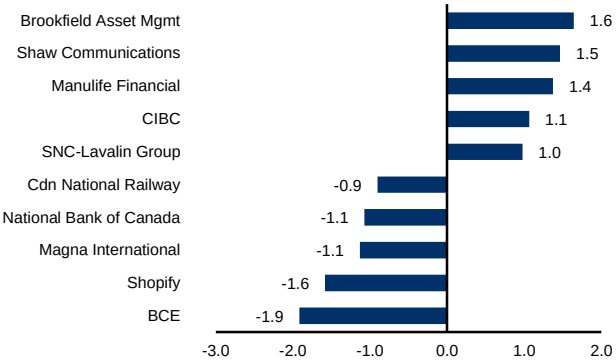
1 Year Attribution (%)



Sector Active Weights (%)



Largest Active Weights (%)



PH&N Canadian Equity Value Fund

The PH&N Canadian Equity Value Fund returned 10.93% in the first quarter and 39.82% over the past year, outperforming its benchmark over the quarter but underperforming over the one-year period.

Canadian equities carried over much of last quarter's positive momentum into the most recent period, with a first quarter return of 8%.

Following the most difficult year experienced by the strategy, it is encouraging to see some of the headwinds that contributed to our underperformance begin to subside or reverse. Specifically, we are seeing more balanced markets, and gains coming from a larger number of stocks and sectors. In addition, the value style of investing that we favour has performed well over the last several months as investors recognized recovery potential in stocks that have lagged the market rebound thus far. We believe this trend can persist and expect a number of our key holdings to continue to perform well in this environment.

Within the fund, underexposure to Information Technology (Info Tech) and Materials helped our relative returns this quarter. In Info Tech, we do not own Shopify and were not affected by the weakness in the stock. We also profitably exited our position in BlackBerry, which more than doubled during the quarter on what seemed like social media-fuelled enthusiasm among retail investors. In the Materials sector, gold stocks fell in concert with the price of bullion and our underexposure to these stocks helped performance. We took advantage of the sell-off to add to our position in **Wheaton Precious Metals**. A large portion of the company's earnings is tied to price of silver that we expect to benefit from growing industrial demand from the automotive and renewable energy (solar) industries.

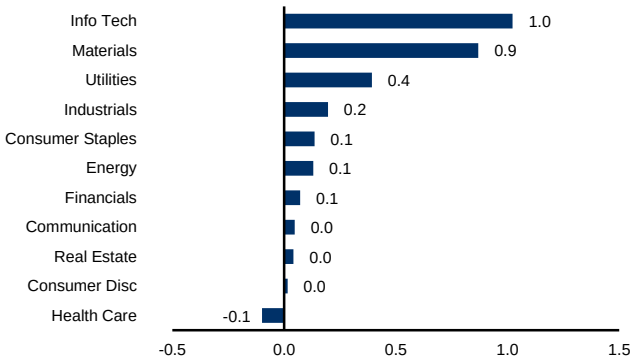
Positioning within Utilities was another source of strength. Several renewable energy stocks that we have avoided on valuation concerns saw sharp declines while our position in **TransAlta** enjoyed a solid gain, closing some of the valuation discount relative to the value of its underlying businesses.

PH&N Canadian Equity Value Fund
Portfolio Attribution and Structure as of March 31, 2021

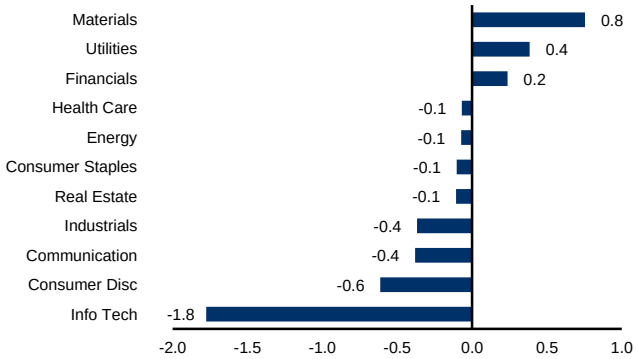
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
PH&N Canadian Equity Value Fund	**82**	**55.2**	**3.0**
S&P/TSX Capped Composite Index	*231*	*59.6*	*2.8*

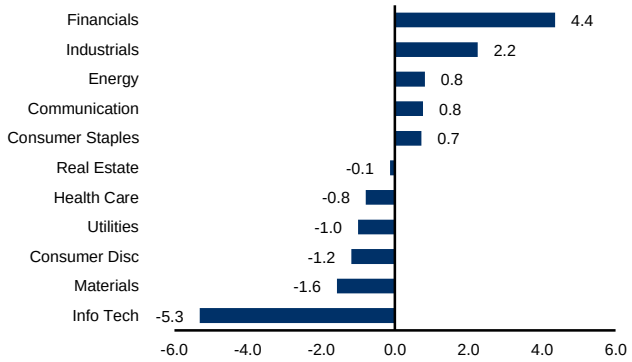
3 Month Attribution (%)



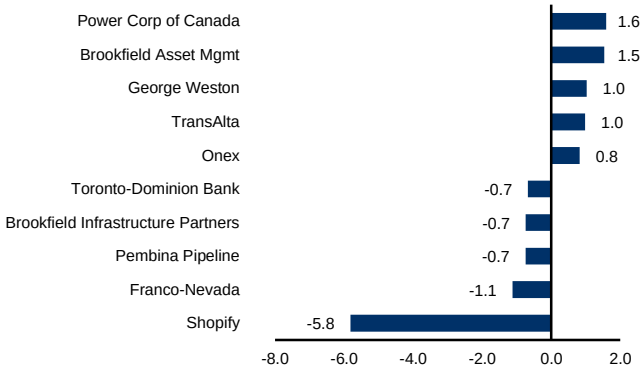
1 Year Attribution (%)



Sector Active Weights (%)



Largest Active Weights (%)



PH&N Small Float Fund

The PH&N Small Float Fund returned 7.55% in the first quarter and 61.82% over the past year, underperforming its benchmark over the quarter but outperforming over the 12-month period.

The PH&N Small Float Fund focuses on investing in high-quality, well-managed small-cap companies with above-average growth prospects. These industry leaders tend to perform well in most stock market environments.

Industrials holding **Stantec** was up meaningfully in the quarter as management provided an improved outlook on cost and operational performance. The stock also benefitted from expected U.S. government infrastructure spending, and a rising focus on environmental engineering – Stantec is a global leader in this area. **Richelieu Hardware** appreciated in the quarter on continued solid organic growth from home repair and remodel activity, and contributions from their steady stream of acquisitions.

Altus Group traded higher in the quarter as their new CEO reaffirmed previous management's multi-year growth targets. They also acquired a commercial real estate debt management platform that provides an adjacent avenue for future growth. Recreational products manufacturer **BRP** performed well on continued robust demand for power sports products, with individuals spending more on these activities given travel restrictions. In addition, BRP provided very strong guidance for the upcoming year, indicating that it will likely take multiple years to return to normalized inventory levels due to this robust demand.

Real Matters faced pressure this quarter as rising interest rates caused concern that mortgage refinancing activity would weaken and weigh on growth. While rising rates will cause volatility, their value proposition is compelling, and we expect they will continue to meaningfully expand their customer base in both their core appraisal and title business lines.

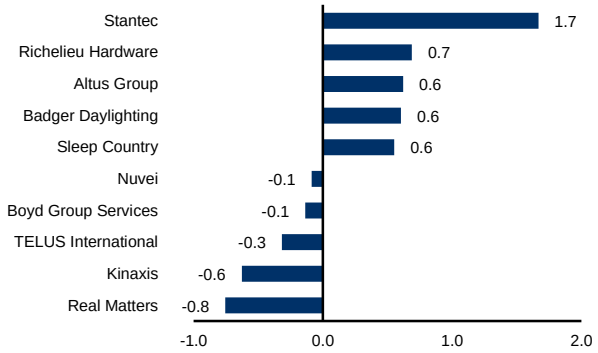
Kinaxis sold off in March after the company provided disappointing guidance for 2021 due to a COVID-19 driven elongated sales cycle and a cyclically low license renewal year. We think both of these factors are transitory, have high conviction in Kinaxis, and expect solid long-term financial performance. Auto collision repair company **Boyd Group** faced headwinds in the quarter as continued weakness in vehicle miles driven weighed on demand for their services. As vaccinations ramp up and the economy reopens we would expect demand for Boyd's services to rebound. We continue to believe Boyd has very strong long-term prospects for growth as they consolidate the North American collision repair industry.

PH&N Small Float Fund
Portfolio Attribution and Structure as of March 31, 2021

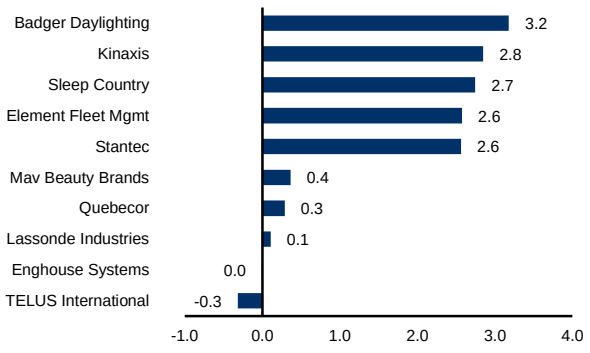
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
PH&N Small Float Fund	**34**	**3.4**	**1.2**
S&P/TSX Capped Composite Index	*231*	*59.6*	*2.8*

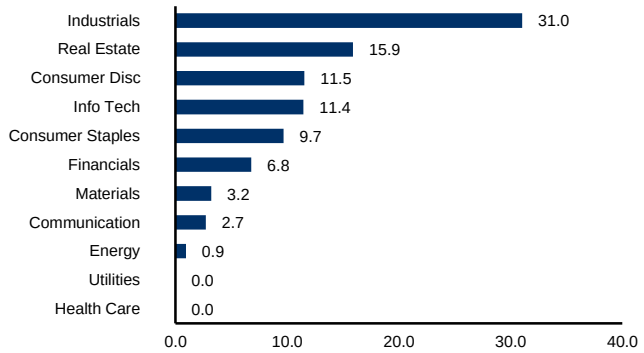
3 Month Attribution (%)



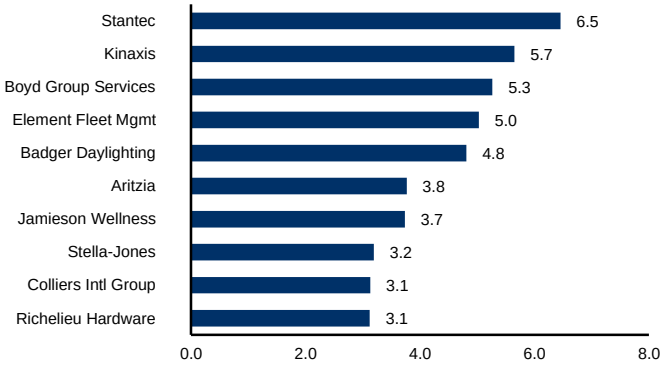
1 Year Attribution (%)



Sector Weights (%)



Top 10 Holdings (%)



RBC Global Equity Focus Fund

The RBC Global Equity Focus Fund returned -0.08% in the first quarter and 46.32% over the past year, underperforming its benchmark over the quarter but outperforming over the one-year period.

Following last year's COVID-19 induced sell-off, accommodative fiscal and monetary stimulus – along with vaccine breakthroughs – spurred a remarkable economic recovery over the ensuing quarters, during which the fund has performed exceptionally well. This quarter, however, the fund underperformed its benchmark as global equity markets continued to grind higher, led by cyclical stocks (including those in the airline, tourism, financials, industrial metals and machinery, and oil and gas industries) that were among the hardest hit last year but stand to be the greatest beneficiaries of an economic reopening and reflationary conditions.

Given this backdrop, the Energy sector was the fund's largest source of underperformance over the quarter, as investors rotated capital away from some of our top-performing renewable energy holdings from the past year into traditional fossil fuel stocks, which have benefitted recently from rising oil prices. Brent crude touched $70 a barrel in March for the first time since January 2020, but ultimately finished at $64 a barrel, up 24% quarter-over-quarter. Beyond improving demand prospects from mass vaccine rollouts and the reopening of the global economy, oil prices also benefitted from OPEC resisting the temptation to increase supply. Our positioning within the sector is a reflection of where we see the strongest competitive dynamics; we're underweight traditional fossil fuel stocks in favour of businesses we believe will benefit from an accelerated transition away from traditional fuels towards renewable alternatives. As a result, we have concentrated positions in two stocks: **Orsted**, the global leader in offshore wind power generation, and **Neste,** the world's largest producer of renewable diesel and renewable jet fuel.

In Industrials, the fund's position in Japanese motor manufacturer **Nidec** was among the sector's best performing stocks last year, as a result of leading competitive dynamics and exposure to secular growth trends in electrification including gaming, data centres, industrial robotics, and electric vehicles. However, over the quarter Nidec was not able to keep pace with the returns of Industrials stocks that benefitted most from the global reopening tailwind, such as Caterpillar, Boeing, and Delta Airlines. Elsewhere in Industrials, the fund's position in **Deutsche Post DHL Group** re-emerged as a leading contributor to performance. The company's DHL Express division has undoubtedly been a boon through the pandemic, but a broader economic recovery would set the stage for a continued recovery in business-to-business shipping volumes and supply chain logistics revenues, which have been impaired by lockdowns and slower economic activity.

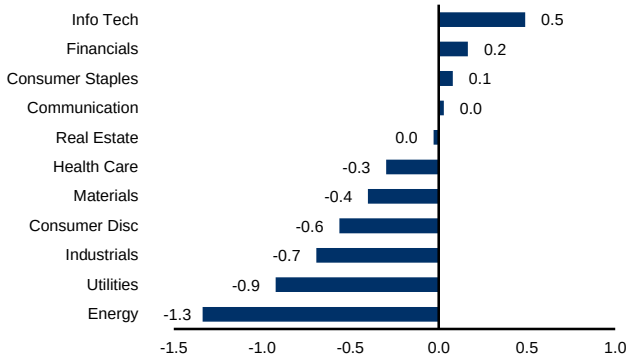
Among the fund's largest contributors to relative performance were the client-centric American coastal bank **First Republic Bank** and the U.S. bank for the innovation economy, **SVB Financial Group**. Beyond improving net interest margins from a steepening yield curve, SVB benefitted from robust growth in the innovation economy, which has shown no signs of slowing and contributed to significant deposit growth.

RBC Global Equity Focus Fund
Portfolio Attribution and Structure as of March 31, 2021

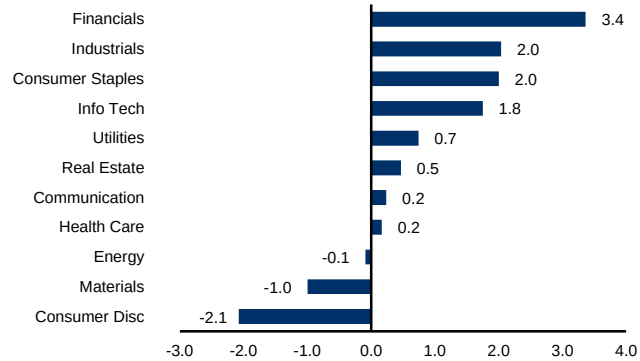
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
RBC Global Equity Focus Fund	**36**	**409.1**	**1.2**
MSCI World Net Index C$	*1586*	*395.4*	*1.9*

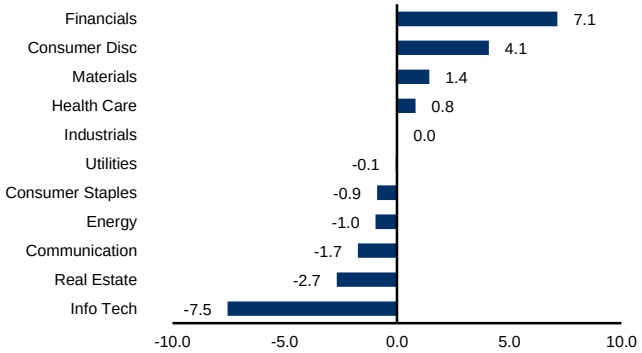
3 Month Attribution (%)



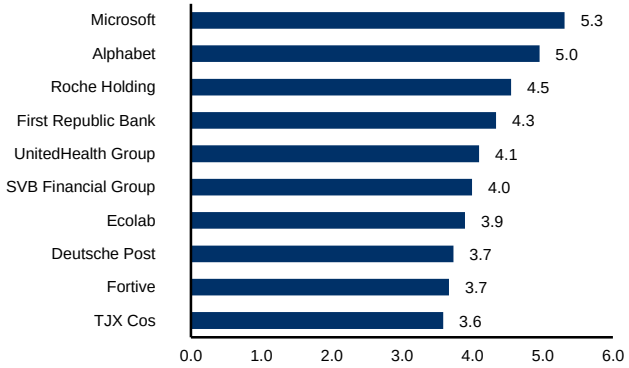
1 Year Attribution (%)



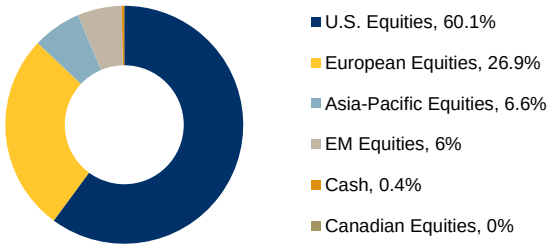
Sector Active Weights (%)



Top 10 Holdings (%)



Regional Breakdown (%)



RBC QUBE Global Equity Fund

The RBC QUBE Global Equity Fund returned 5.26% in the first quarter and 39.57% over the past year, outperforming its benchmark over both periods.

As the global equity market continued its march higher in the first quarter, strong performance across a broad range of alpha factors within our security selection model resulted in the fund outperforming its benchmark.

Most notable was the resurgence of strong returns from stocks with less expensive valuations than their peers, as measured by our Value factor. This leadership rotation comes as a particularly welcome development for the fund since the well-documented, severe underperformance of Value over the past few years has been especially challenging for quantitative strategies like ours. This quarter, Value generated positive returns as the market perceived economic growth as within reach, and turned its attention towards stocks that would benefit in a reopened economy. This transition from Growth to Value began following the vaccine candidate approvals announced in November 2020, and accelerated during the first quarter of 2021.

A rally of lower-quality and higher-beta stocks coincided with this transition. Within our model, this resulted in poor performance from our Profitability factor as the stock prices of companies who do not generate strong, consistent profits soared and dominated the market's gains. Historically, we tend to see this "junk" effect take place early during a market recovery, but given the unique nature of this cycle's COVID-19 induced recession, this effect appeared much later than would normally be expected. Looking ahead, performance during the month of March suggests that a return to more normal market conditions could be underway, where high-beta stocks do not outperform for long and Profitability is rewarded while the market continues to rise.

In terms of sector attribution, our overweight allocation to the Consumer Discretionary sector contributed the most to relative performance, while our underweight allocation to the Energy sector was the largest detractor.

At an individual stock level, our overweight positions in tobacco conglomerate **Altria** and pharmaceutical company **Eli Lilly & Co.** contributed the most to relative performance, while overweight positions in Danish biotechnology company **Genmab** and multi-national big-box retailer **Costco** were the largest detractors.

RBC QUBE Global Equity Fund
Portfolio Attribution and Structure as of March 31, 2021

Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
RBC QUBE Global Equity Fund	**252**	**396.2**	**1.9**
MSCI World Net Index C$	*1586*	*395.4*	*1.9*

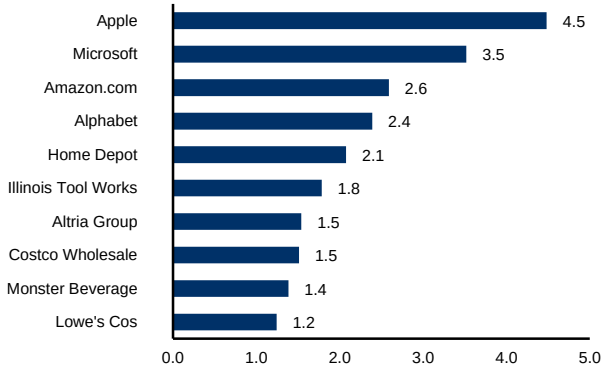
Factor Performance

	3 Mo	1 Yr
Security selection model	↑↑	↑
Value	↑	↑
Analyst	↑	↑↑
Quality	↑	↓
Sentiment	↑	↓
Growth	-	↑
Technical	-	↓
Profitability	↓	↓
Sector selection model	**-**	**↑**
Country selection model	**-**	**↑**

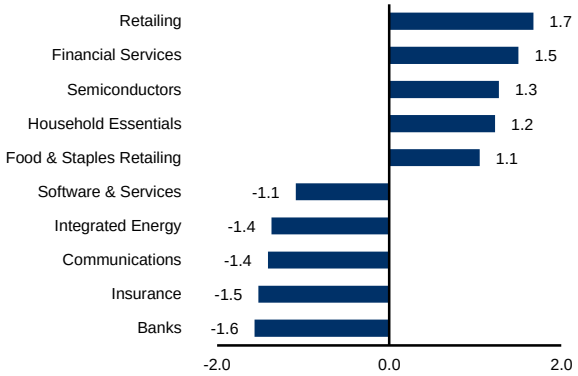
Illustrative Portfolio Metrics

	Fund	Benchmark
Forward Return on Equity (Profitability)	**33.1%**	*24.3%*
Forward P/E (Value)	**19.0x**	*21.3x*
Goodwill Growth (Quality)	**0.4%**	*1.2%*
Free Cash Flow Growth (Growth)	**18.2%**	*8.7%*

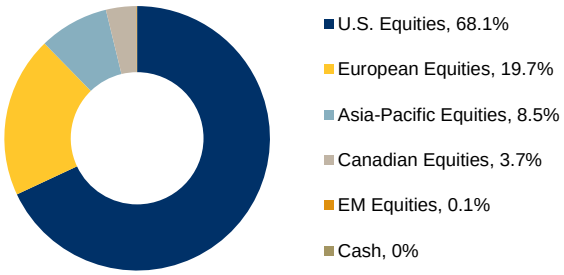
Top 10 Holdings (%)



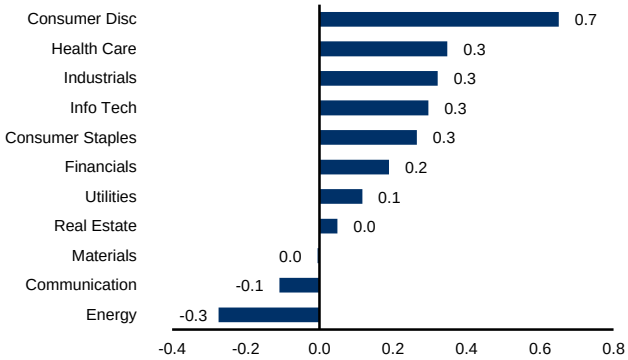
Largest iGICS Sector Active Weights (%)



Regional Breakdown (%)



3 Month Attribution (%)



RBC Emerging Markets Equity Fund

The RBC Emerging Markets Equity Fund returned 1.77% in the first quarter and 40.80% over the past year, outperforming its benchmark over both periods.

At the country level, top-down positioning benefitted relative returns, driven by the fund's overweight to Chile and South Africa. The underweight to China also benefitted performance, as did notably strong stock selection within the country. Conversely, stock selection within India detracted from relative returns during the period.

Sector allocation delivered mixed returns, while stock selection overall added. The fund benefitted from particularly strong stock selection in Consumer Discretionary and Information Technology, while stock selection in Financials detracted.

Turning to holdings, performance was once again led by Chilean copper miner **Antofagasta**. The company continued to benefit from expectations for strong global economic growth, which pushed the price of copper to near record levels.

The fund also gained from its exposure to the semi-conductor industry, which includes the world's largest pure-play manufacturer, **TSMC**, and integrated designer/manufacturers **SK Hynix** and **Media Tek**. Chip demand continues to outpace supply as digitalization and connectivity expand into industries beyond consumer technology products. The current state of the automobile industry exemplifies this development, as a number of large manufactures have been forced to halt vehicle production due to a lack of chips. Chip makers are also benefitting from changing industry dynamics, such as a recent wave of consolidation and efforts by both the U.S. and China to expand domestic chip design and production.

South African media company **Naspers** was also a top contributor to performance. The company, which owns a considerable stake in Chinese digital media giant **Tencent**, saw its shares strengthen during the quarter as it announced that it had trimmed some of its exposure in Tencent and other media companies and would direct the proceeds towards new acquisitions and share buybacks.

Turning to detractors, the fund's more defensive positions were again among the weakest performers, reflecting the strength and breadth of the market upswing and ongoing rotation toward cyclical sectors.

Indian pharmaceutical company **Dr. Reddy's** underperformed over the quarter. The company had been a top performer in the portfolio over most of 2020 and continues to deliver robust results, including higher sales and lower costs, and has a strong pipeline. Global consumer company **Unilever** also underperformed, as disappointing results and a muted near-term growth outlook weighed on investor sentiment.

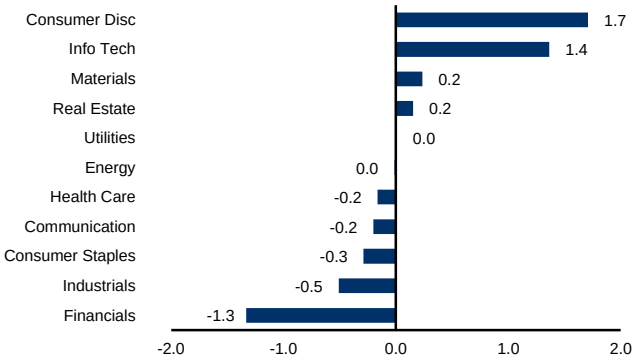
The fund's holdings in select Latin American Financials also detracted from relative performance this quarter. Brazilian bank **Bradesco** and stock market operator **B3** were caught up in a broader market sell-off, as political turmoil and rising COVID-19 cases weighed on the country's financial markets. Peruvian bank **Credicorp** was also down over the quarter, despite being a high-quality financial in a cyclical sector.

RBC Emerging Markets Equity Fund
Portfolio Attribution and Structure as of March 31, 2021

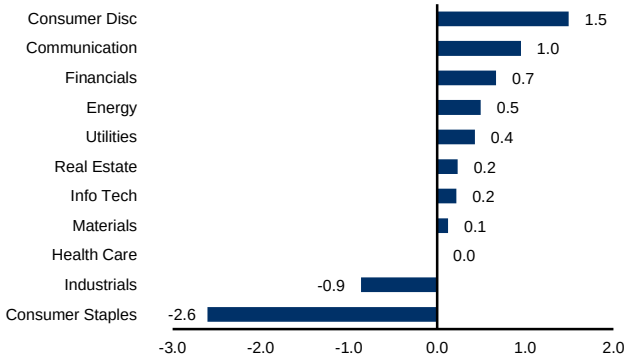
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
RBC Emerging Markets Equity Fund	**47**	**184.3**	**1.9**
MSCI Emerging Markets Net Index C$	*1392*	*218.8*	*2.4*

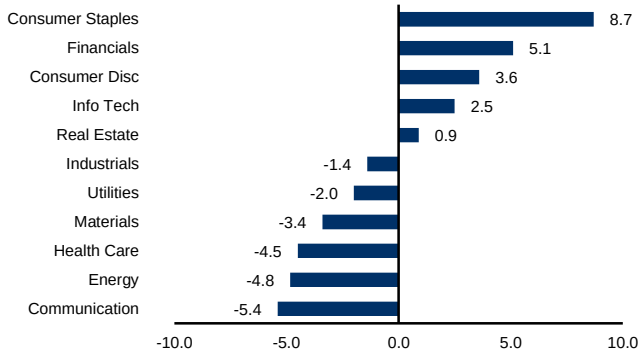
3 Month Attribution (%)



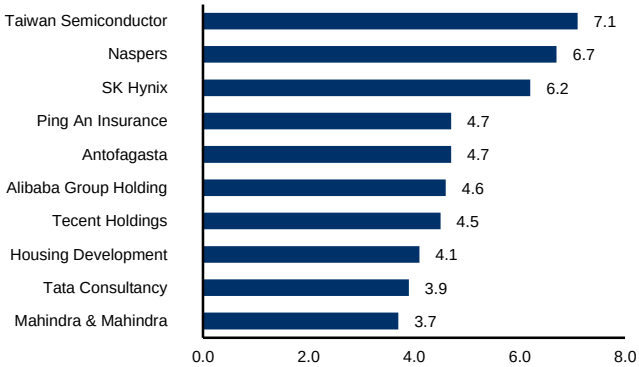
1 Year Attribution (%)



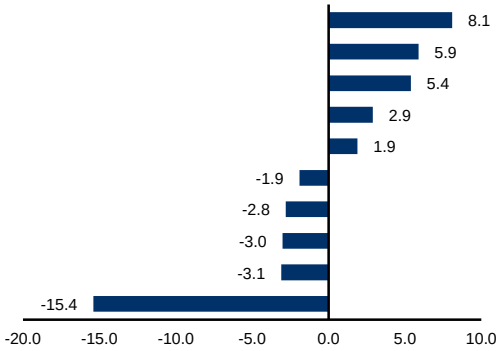
Sector Active Weights (%)



Top 10 Holdings (%)



Top Five/Bottom Five Country Active Weights (%)



* UK exposure includes the fund's position in Unilever and two EM companies that list on the LSE (Antofagasta and Mondi)