PH&N Balanced Pension Trust

Pre-Fee Rates of Returns December 31, 2022 (%)	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	10 Yr	SI
PH&N Balanced Pension Trust	4.32	-10.40	0.52	4.96	7.64	5.54	7.89	7.10[1]
*BPT Benchmark**	*4.63*	*-9.85*	*0.13*	*3.51*	*6.45*	*4.61*	*6.59*	*6.57*
Relative Performance	-0.31	-0.55	+0.39	+1.45	+1.19	+0.93	+1.30	+0.53
Total Cash & Equivalents	0.96	1.96	1.11	1.04	1.29	1.39	1.16	
FTSE Canada 30-Day T-Bill Index	*0.90*	*1.69*	*0.89*	*0.80*	*1.02*	*1.07*	*0.89*	
Total Bonds	0.23	-11.37	-6.62	-1.21	0.76	0.91	2.14	
PH&N Bond Fund	0.31	-11.14	-6.77	-1.33	0.66	0.83	2.13	
PH&N High Yield Bond Fund	1.27	-3.96	0.69	3.20	4.18	3.66	5.12	
RBC Global Bond Fund**	-0.11	-13.42	-8.12	-3.03	-0.59	0.06	2.22	
FTSE Canada Universe Bond Index	*0.10*	*-11.69*	*-7.22*	*-2.20*	*-0.01*	*0.27*	*1.63*	
Total Real Estate	1.39	12.91	11.49	7.27	-	-	-	
RBC Canadian Core Real Estate	1.39	12.91	11.51	7.29	-	-	-	7.22[2]
Canadian CPI (Non-Seasonally Adjusted) 1-month lag + 400 bps	*1.86*	*10.80*	*9.75*	*8.13*	-	-	-	*7.95*
Total Canadian Equities	5.94	-4.67	10.29	9.02	12.27	7.67	9.12	
PH&N Canadian Equity Underlying Fund	6.00	-5.26	9.80	8.46	11.84	7.34	8.95	
PH&N Canadian Equity Value Fund	5.76	-1.52	14.03	8.94	11.68	7.57	9.06	
PH&N Small Float Fund	6.39	-8.74	4.38	10.07	13.81	9.11	12.97	
S&P/TSX Capped Composite Index	*5.96*	*-5.84*	*8.53*	*7.54*	*11.19*	*6.85*	*7.74*	
Total Global Equities	7.32	-15.02	0.17	6.65	9.84	7.61	13.16	
RBC Global Equity Focus Fund	5.49	-19.45	-2.32	6.44	11.06	9.20	-	12.67[3]
MSCI World Net Index (C$)	*8.24*	*-12.19*	*2.98*	*6.49*	*9.99*	*7.81*	-	*9.72*
RBC QUBE Global Equity Fund	8.80	-10.53	5.31	8.23	10.06	7.19	-	11.81[4]
MSCI World Net Index (C$)	*8.24*	*-12.19*	*2.98*	*6.49*	*9.99*	*7.81*	-	*11.31*
RBC Global Equity Leaders Fund (C$)	6.54	-16.85		-	-	-	-	-2.54[5]
MSCI World Net Index (C$)	*8.24*	*-12.19*					-	
RBC Emerging Markets Equity Fund	11.58	-7.94	-6.40	0.41	3.34	2.29	7.25	
MSCI Emerging Markets Net Index (C$)	*8.18*	*-14.28*	*-8.99*	*-1.26*	*2.00*	*0.16*	*4.61*	

*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: April 28, 2014; [4] Inception date: June 30, 2013; [5]Inception date: May 17, 2021

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 one asset mix shift this quarter. Given continued increases in the overnight level of interest rates, the yield on bonds is becoming increasingly attractive, particularly relative to the general interest rate environment that financial markets have experienced over the last decade. This view – coupled with the likelihood of a recession sometime in the medium term, which would impact corporate earnings and equity valuations – has caused the relative attractiveness of bonds vs. equities to evolve. The range of outcomes with respect to inflation remains mixed, though it has been moving in the right direction of late and should allow central banks globally to slow their pace of interest rates hikes, and potentially even put a pause on further tightening. Looking ahead, there is also the potential for a pivot toward lower interest rates as we move through a recession, which, when combined with current yields on bonds, would provide a tailwind of capital appreciation for the asset class. All told, given the current outlook for bonds relative to a more mixed picture for equities, we added to fixed income, sourcing funds from cash as well as Canadian and global equities.

The PH&N Balanced Pension Trust returned 4.32% over the fourth quarter, bringing the one-year return to -10.40%.

At the end of the quarter, the PH&N Balanced Pension Trust's asset weighting was as follows:

Portfolio Asset Mix as at December 31, 2022 (%)

	PH&N BPT	Benchmark
Cash & Equivalents	2.7	*1.0*
Bonds	34.2	36.0
PH&N Bond Fund	26.3	
PH&N High Yield Bond Fund	0.6	
RBC Global Bond Fund	7.3	
Real Estate	4.3	*3.0*
Canadian Equities	18.5	*20.0*
PH&N Canadian Equity Underlying Fund	11.4	
PH&N Canadian Equity Value Fund	5.0	
PH&N Small Float Fund	2.1	
Global Equities	40.3	*40.0*
RBC Global Equity Focus Fund	17.7	
RBC QUBE Global Equity Fund	14.5	
RBC Emerging Market Equity Fund	3.7	
RBC Global Equity Leaders Fund	4.4	
Total Fund	**100.0**	***100.0***

Attribution of the one-year results is shown below:

PH&N Balanced Pension Trust Attribution – Total Fund One Year Ending December 31, 2022 (%)

	Returns			Attribution		
	Fund	Benchmark	Relative Performance	Asset Allocation	Security Selection	Total Effect
Cash & Equivalents	1.96	1.69	0.27	0.04	0.00	0.04
Fixed Income	-11.37	-11.69	0.32	0.07	0.11	0.18
Real Estate	12.91	10.80	2.11	0.12	0.07	0.19
Canadian Equity	-4.67	-5.84	1.17	0.05	0.24	0.29
Global Equity	-15.02	-12.29	-2.73	0.01	-1.31	-1.30
Total	**-10.40**	**-9.85**	**-0.55**	**0.30**	**-0.90**	**-0.60**

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 0.31% in the fourth quarter and -11.14% over the past year, outperforming its benchmark over both periods.

Inflation continued to edge lower over the quarter but will likely remain at elevated levels for some time to come. In light of this, central banks continued their efforts to suppress consumer demand by raising policy rates. The Bank of Canada was no exception, increasing rates by another 100 basis points (bps) over the quarter but alluding to the possibility that the end of the hiking cycle is drawing near. Yields remained volatile but ultimately ended the period slightly higher, while credit spreads recovered as investors anticipated a pause from central banks. Against this backdrop, bond market returns were broadly flat, with the FTSE Canada Universe Bond Index returning 0.10%. Your portfolio finished ahead of the benchmark for the quarter, with contributions coming from interest rates and credit strategies.

For calendar year 2022, bond market performance was meaningfully negative, as a result of the sharp rise in yields experienced through the first half of 2022. However, recall that this means the yield for your portfolio is significantly higher than at the beginning of the year, which improves expected returns going forward.

In aggregate, the portfolio's duration and yield curve positioning was a positive contributor to relative performance, as the portfolio benefitted from a short duration bias throughout December when yields moved higher.

A small tactical position in U.S. Treasuries was a neutral contributor to performance, as the spread differential versus similar-term government of Canada bonds did not move meaningfully.

Exposure to provincial and government agency bonds had a neutral impact on performance.

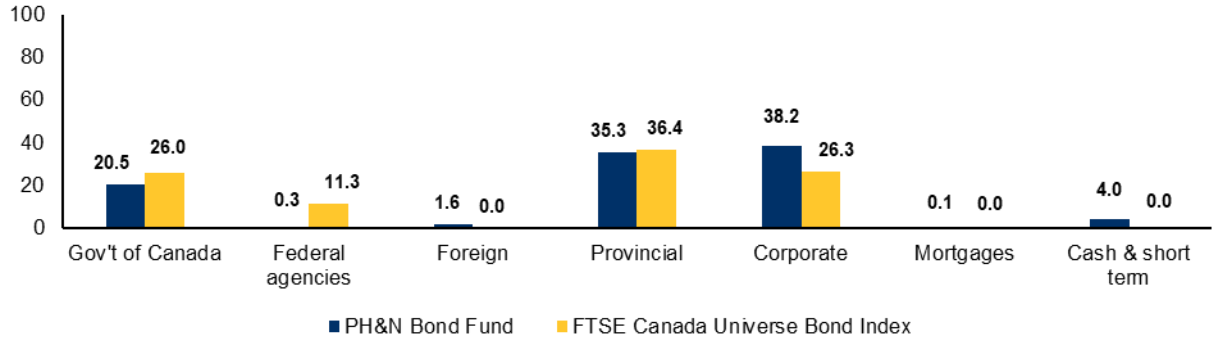
The portfolio's overweight to investment grade corporates was a positive contributor to relative performance, as spreads continued to recover.

Overall, the portfolio's risk exposures were increased to a medium level over the quarter in light of compelling valuations; however, we remain focused on more liquid, high-quality areas of the market, as recession risk remains prevalent.

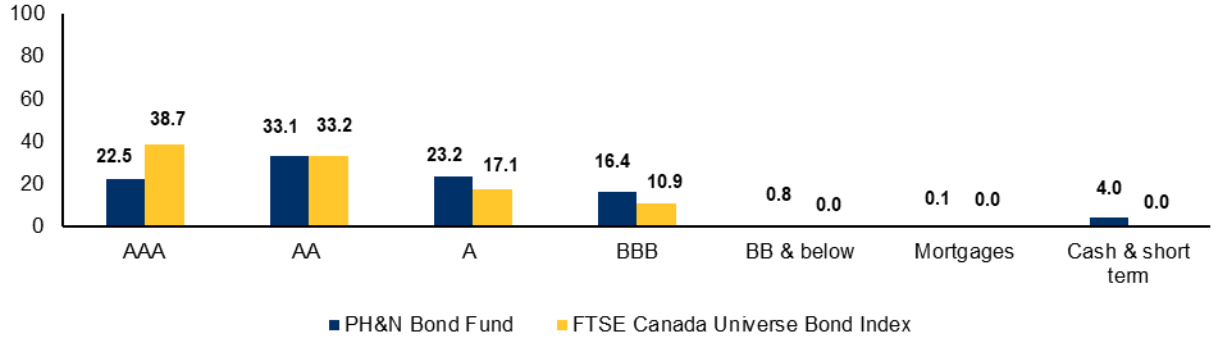
PH&N Bond Fund – Portfolio Structure as of December 31, 2022

Fund Characteristics	Modified Duration (Yrs)	Term to Maturity (Yrs)	Yield to Maturity (%)
PH&N Bond Fund	7.09	10.15	4.46
FTSE Canada Universe Bond Index	*7.31*	*10.11*	*4.28*

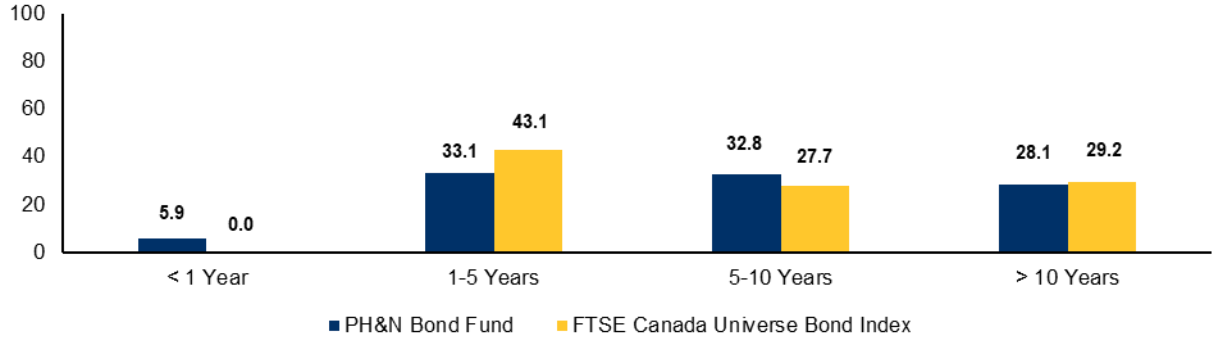
Issuer Analysis (%)



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 1.27% in the fourth quarter and -3.96% over the past year, outperforming its benchmark over both periods.

Despite recessionary fears, high yield spreads tightened over the quarter, falling from 543 basis points (bps) at September 30 to 481 bps on December 31. This heightened volatility reflects market uncertainty about the vigorous pace of monetary tightening for the majority of the year, followed by a modest reprieve in Q4 coinciding with the perceived peak of inflation and an end of the hiking cycle in sight.

High yield issuance slowed dramatically in the second half of 2022, as central bank hiking continued and recessionary fears drove investors to safety. This also made issuers hesitant about issuing bonds into softening demand.

Corporate profits, outside of the mega-cap technology companies, proved resilient throughout 2022. However, we do remain mindful that the full effects of a hiking cycle take several months to have their intended slowing effects on the economy and that these are still early days. We expect this will weigh on earnings next year and that further downward revisions are possible. Oil prices were flat over the quarter at about $80/barrel but remain well below June highs in light of weakening global demand and OPEC production cuts. Defaults by high yield bond issuers idled in the fourth quarter, with October and November having no defaults at all. The 12-month trailing default rate (including distressed exchanges for U.S. high yield bonds) ended the year at 1.6%, which is 125 bps above the lowest default rate on record (0.3%) set in February but still well below the long-term average of approximately 3%. Corporate balance sheets also improved in 2022, with leverage among high yield issuers (as measured by debt/EBITDA) down from 6.2x in early 2021 to 4.2x at the end of 2022, which is in line with long-term averages. With an increased probability of a recession next year, the improvement in balance sheet durability is a welcome development.

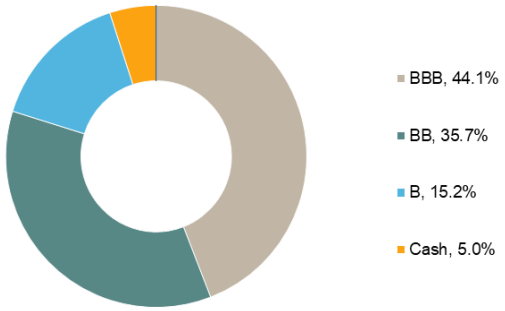
The historic sell-off in broad fixed income markets subsided in the fourth quarter and has left absolute yields near their highest levels in over a decade. Bondholders are now starting to look further out to price in what comes after the hiking cycle ends. With elevated yields and stubbornly resilient spreads on high yield bonds, we feel that outsized credit risk is not well rewarded at this juncture. Instead, this favours a conservative approach, as we enter a potential recession in 2023. We continue to keep a meaningful allocation of the fund in attractively priced BBB-rated issues where we can find 6–7% yields that can easily withstand a weakening environment next year, should this outlook prove correct.

The U.S. Federal Reserve (Fed) hiked its benchmark interest rate by 75 bps in November and 50 bps in December. Furthermore, the Fed has suggested additional hikes may follow and that rates will likely need to remain elevated throughout 2023, thereby increasing the risk of a Fed-induced recession.

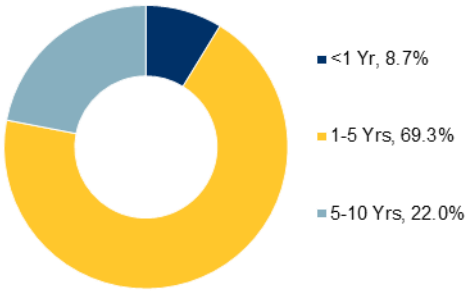
Despite looming risks, the absolute yield available in high yield bonds continues to provide attractive potential returns. Historically, the performance stemming from yields similar to today’s levels has been compelling over the 1–2 years that follow.

PH&N High Yield Bond Fund – Portfolio Structure as of December 31, 2022

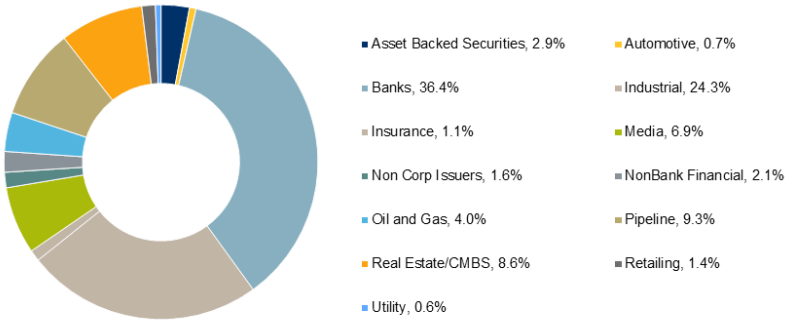
By Rating



By Maturity



By Industry Group



Modified Duration:	3.10 Years
Yield to Worst:	7.34%
Average Term:	5.52 Years

Modified duration, yield to worst 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 -0.11% in the fourth quarter and -13.42% over the past year, outperforming its benchmark over the quarter but underperforming over the one-year period.

The outperformance was mainly due to allocations to credit assets and EM bonds, as these assets outperformed global government bonds, which make up the entirety of the benchmark.

The fund's positioning within global government bonds provided mixed results. Similar to the previous quarter, underweight positioning in the short-end of the yield curve in the U.S. and Japan was positive for relative performance; however, this contribution was offset by detraction from a reciprocal overweight position in Canadian short-maturity bonds. Positioning in the U.K. also detracted, as the fund entered the quarter defensively positioned in U.K. sovereigns, given the extreme volatility experienced in late Q3. The volatility had been caused by an ill-considered government budget, which led to a loss of faith in the government; however, a subsequent change in leadership precipitated a faster-than-expected rally in U.K. Gilts, which hurt the fund's positioning.

Credit positions within the fund contributed to performance. The fund's positions in investment grade corporate bonds recorded strong performance, with European corporates particularly robust contributors following a strong rally. The fund's EM positions also contributed strongly to performance, as this sector benefitted from improved investor sentiment and more stable financial markets during the quarter. The fund took profit on its high yield corporate allocation, as in our view the current premium does not adequately compensate against the potential economic shock of a recession. The fund is now running very minimal high yield exposure.

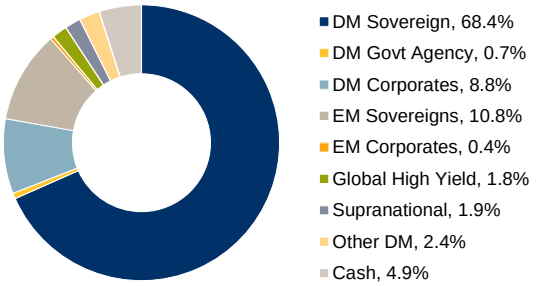
Currency positioning was also a small contributor to performance during the quarter, coming from a mix of EM and developed market currencies. Japan, Brazil, Norway, and Sweden were particularly strong contributors during the period, as offshore currencies outperformed both the Canadian and U.S. dollars. We took advantage of the rally in EM currencies during the quarter and tactically reduced positioning. Overall, the fund is running limited currency risk at the moment.

RBC Global Bond Fund - Portfolio Characteristics and Structure as of December 31, 2022

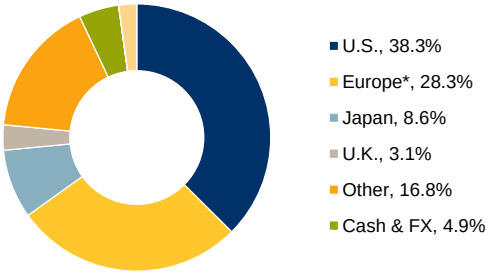
As of December 31, 2022

	Duration (Yrs)	Hedged Yield (%)	Avg. Rating
RBC Global Bond Fund	**7.48**	**5.70**	**AA**
FTSE World Government Bond Index – CAD hedged	**7.41**	**4.73**	**AA**

Asset Allocation Breakdown

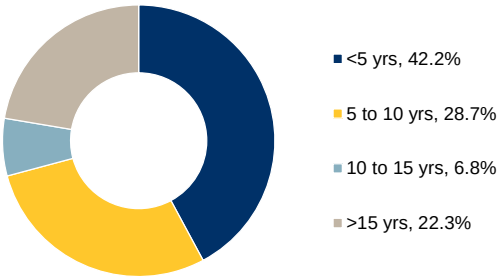


Regional Breakdown

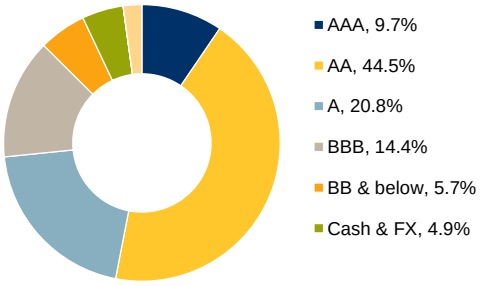


*Europe consists of European Monetary Union (EMU) members who qualify for inclusion in the FTSE WGBI index

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 1.39% in the fourth quarter and 12.91% over the past year, underperforming its benchmark over both periods.

Fund's total return for the year was a direct result of the portfolio's strongest leasing activity level since fund inception, which resulted in increased occupancy levels and exceeded budgeted rental rate expectations; this, in turn, supported both income returns and capital values in 2022. The year's robust leasing activity also positioned the portfolio very well moving into 2023 by securing a number of key long-term tenancies. Looking forward, steady NOI growth and forward income visibility (driven by asset occupancy and tenant quality) will be fundamental to help protect asset values from any shorter-term macroeconomic swings, including the pressure of higher interest rates for a longer period of time and/or a potential recessionary environment.

The fund completed the acquisition of Tranche 4 on November 1, 2022. The Tranche 4 acquisition was a continuation of the fund's "acquire-through-cycle" strategy and was focused on moving the fund toward its portfolio targets, further balancing sector exposures, and reinforcing the portfolio's diversity. Along with the incremental ownership interest acquisition of 26 existing assets, three new industrial assets were added to the portfolio as part of Tranche 4. In total, the tranche added over $800M in GAV to the portfolio and increased the fund's total asset base to 68 properties.

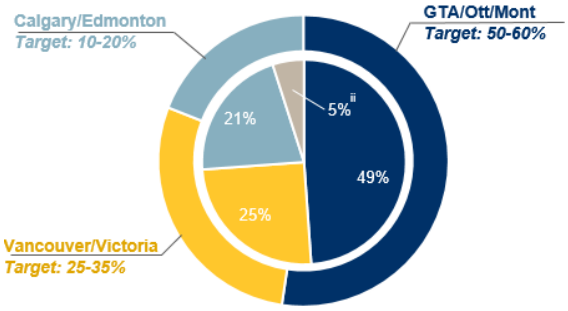
The fund's balance sheet remained very strong through the fourth quarter (inclusive of Tranche 4) with a leverage ratio that remained below 20%[1] while retaining significant access to liquidity. The strength and flexibility of the fund's balance sheet remains a competitive advantage heading into 2023 given the uncertainty surrounding the overall capital markets. A well-occupied, high-quality portfolio in major markets exhibiting strong NOI quality and growth, a conservative balance sheet with high liquidity, and low exposure to rising construction costs are all key elements that will help deliver stable returns through the current macroeconomic environment.

In 2023, the fund plans to continue to strategically target new accretive investments that will further balance the fund's sector exposures while maintaining the fund's philosophy of "asset co-ownership" with BCI, reinforcing the partnership's long-term performance alignment. The aligned partnership with BCI and QuadReal is viewed as a key competitive advantage for the fund.

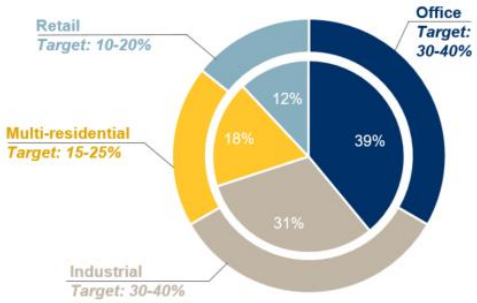
[1] As of December 31, 2022. Market value of borrowed funds as a percentage of Fund GAV.

RBC Canadian Core Real Estate Fund – as of December 31, 2022

Geographic Breakdown[i]



Sector Breakdown[i]

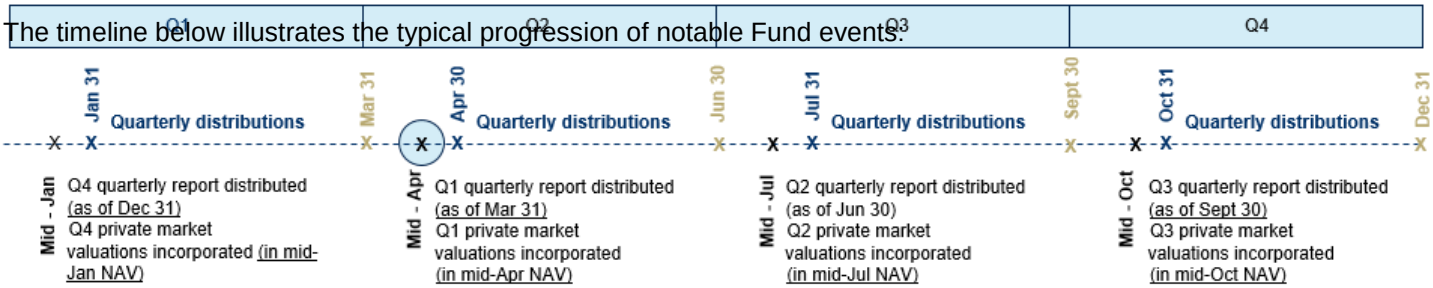


[i]*Based on Q4 2022 valuations. Portfolio characteristics are subject to change.*
[ii]Other = Hamilton, Kitchener, Cambridge, and Red Deer
Inner pie: Current allocations
Outer ring: Mid-term targets

Portfolio Profile	
Gross Assets[ii]	$4.80B
Net Assets[ii]	$3.96B
Number of 50%-owned properties	57
Number of 15%-owned properties	11
Loan-to-value at quarter-end[iii]	18%

[ii] As of December 31, 2022. Portfolio characteristics are subject to change.
[iii] As of December 31, 2022. Market value of borrowed funds as a percentage of Fund GAV.

The timeline below illustrates the typical progression of notable Fund events:



PH&N Canadian Equity Underlying Fund

The fund performed in line with the Canadian equity market, posting a return of 6.0%. Overall, 5/11 sectors contributed positively to relative performance, led by Communication Services, while Information Technology and Financials detracted the most.

Security selection within Communications contributed positively to relative returns, driven by overweight positions in **Rogers** and **Quebecor,** and an underweight position in **Telus**. Rogers' stock performed well in the fourth quarter on investor optimism that its acquisition of Shaw Communications would close, and our overweight position benefited. We view the deal positively, as we expect it to result in synergies, particularly allowing Rogers to expand in Western Canada and offer bundled services in this region. Quebecor should also benefit from the Rogers/Shaw deal, as they are able to purchase Shaw's wireless assets for less than initially anticipated given the approval challenges the deal has faced thus far. Our underweight position in Telus was additive during the period, as the business is expected to face increased competition in Western Canada with Rogers expanding and offering bundled products in the region, something Shaw couldn't do. We trimmed our exposure to Telus during the period, increasing our underweight in light of progress with the Rogers/Shaw deal.

Small float and Industrials holding **Boyd Group Services** was a top contributor to relative returns, as the business continues to experience a margin recovery after a period of weak performance. Operating in collision repair services, Boyd faced wage inflation, labour tightness, and supply chain delay challenges. While these pressures were not unique to Boyd, its cost structure – where the company is beholden to price contracts with regulators and insurance companies – was an additional challenge. We engaged with the management team during the initial drawdown and increased our exposure on reaffirmed conviction in the holding. Fundamentals for the company have since improved and our position was a top contributor to value add during the period.

Within Information Technology, small-cap holding **Telus International (TIXT)** was a top individual detractor from returns, as the stock performed poorly on disappointing quarterly results. TIXT is facing pressure as its core clients are large U.S. communications and info tech companies, such as Meta, and this group has been cutting spending and delaying projects. We are disappointed, as we had flagged this as a concern with management before and had been reassured that it wasn't a risk. Looking ahead, we still believe in the business despite diminished confidence in management and we will continue to evaluate our position and hope to have productive conversations with management going forward.

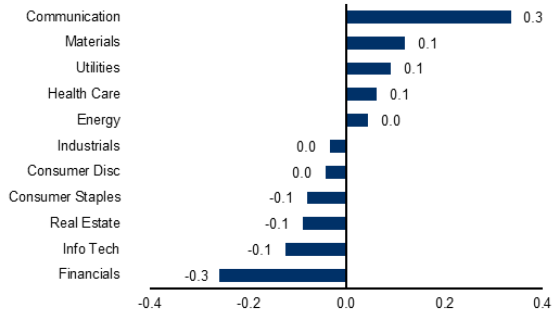
Given the macroeconomic and recession risks plaguing the markets, we have been thoughtful about our overall portfolio positioning to best manage the current market environment. For example, we continue to monitor our positioning within Canadian banks and remain centred on those we believe to be more defensive – as characterized by less credit risk exposure and greater upside to rising interest rates through higher deposit franchises. In particular, we are focused on **TD** and **RBC**, both of which meet these characteristics and have upcoming acquisitions (First Horizon and HSBC Canada, respectively) that should help drive growth.

PH&N Canadian Equity Underlying Fund – Portfolio Attribution and Structure as of December 31, 2022

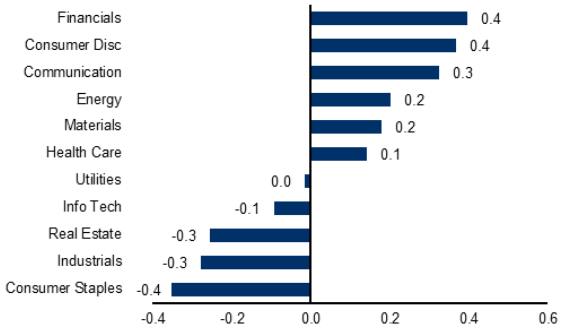
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
PH&N Canadian Equity Underlying Fund	**101**	**58.4**	**3.0**
S&P/TSX Capped Composite Index	*236*	*57.6*	*3.2*

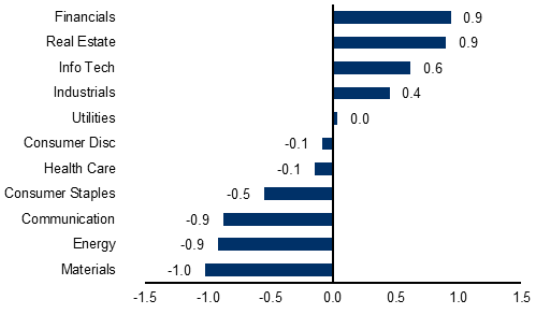
3 Month Attribution (%)



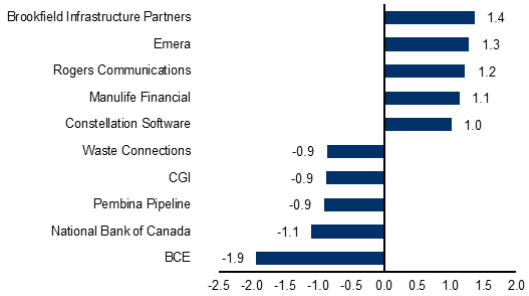
1 Year Attribution (%)



Sector Active Weights (%)



Largest Active Weights (%)



PH&N Canadian Equity Value Fund

The PH&N Canadian Equity Value Fund returned 5.76% in the fourth quarter and -1.52% over the past year, slightly underperforming its benchmark over the quarter but outperforming over the one-year period.

Performance this quarter and through the year has been consistent with our long-term track record of delivering strong returns in positive markets while outperforming in drawdowns. This is attributable to our relative value discipline that compels us to avoid owning overvalued companies that are vulnerable to sharp valuation reversals, while favouring businesses where much of the bad news is already priced in. We believe this time-tested approach will continue to serve us well through this period of uncertainty.

Positioning in the Utilities sector combined with strong security selection allowed us to outperform by avoiding poor performers such as Algonquin Power and Utilities, and Brookfield Infrastructure Partners.

While commodity prices generally trended lower through the quarter, overall the Energy sector outperformed the market. Our sizable overweight positions in oil and gas royalty company **PrairieSky** and oil producer **Canadian Natural Resources** – where we see positive supply/demand dynamics combined with cash flow generation and fiscal discipline – contributed to outperformance from our energy holdings.

The market appreciated the defensive attributes of Consumer Staples companies, and our core holding of **George Weston**, the majority owner of Loblaw, continued its outperformance this quarter.

On the other side of the ledger, our below-market position in **Shopify** was among the key detractors from relative returns in the fourth quarter. The stock rallied as longer-term yields moved lower, showcasing the sensitivity of this high-growth stock to interest rates. Despite recent strength, Shopify remains among the worst-performing stocks of 2022 and the top contributor to our outperformance this year. As the year progressed we opportunistically added to our position as our scenario analysis suggested that valuation was better aligned with the underlying dynamics of the business, albeit still with considerable risks.

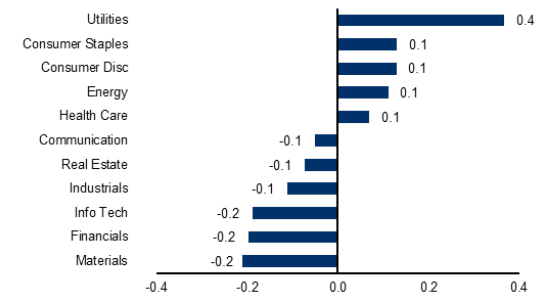
We continue to see good value in **Altagas**, and added to our position even as it reported a difficult quarter and the retirement of its CEO, detracting from our relative performance. Despite these short-term challenges, Altagas retains its long-term appeal in our view, thanks to the ongoing build-out of its midstream operations in Alberta and its sizable dividend growth potential.

PH&N Canadian Equity Value Fund –
Portfolio Attribution and Structure as of December 31, 2022

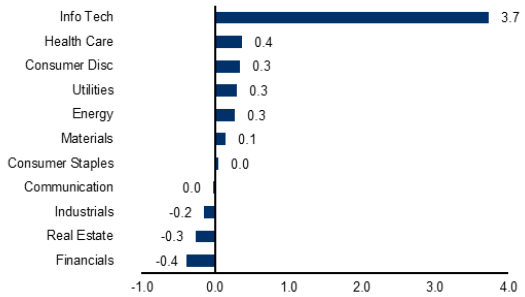
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
PH&N Canadian Equity Value Fund	**81**	**62.5**	**3.2**
S&P/TSX Capped Composite Index	*236*	*57.6*	*3.2*

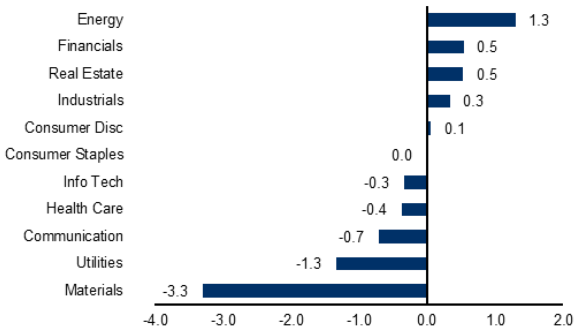
3 Month Attribution (%)



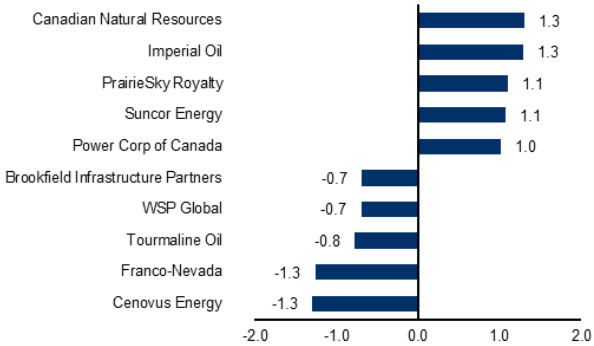
1 Year Attribution (%)



Sector Active Weights (%)



Largest Active Weights (%)



PH&N Small Float Fund

The PH&N Small Float Fund returned 6.39% in the fourth quarter and -8.74% over the past year, outperforming its benchmark over the quarter but underperforming over the one-year 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.

The fund outperformed its benchmark in the fourth quarter of 2022 and maintains a strong, long-term track record of outperformance. **PrairieSky Royalty** appreciated significantly despite oil prices ending the quarter at a very similar level to where they started. Record new leasing activity on PrairieSky's lands combined with strong operational discipline allowed them to pay down 20% of their debt in the quarter and gave management the confidence to double the dividend. We continue to find PrairieSky's royalty business model attractive in the current inflationary environment. **Boyd Group Services** was up strongly in the quarter on the back of a continued recovery in collision repair economics and improving parts availability. We expect the operational improvements to continue as industry labour and supply chain challenges normalize over coming quarters. **Element Fleet Management** performed well in the quarter on better-than-expected quarterly results, a dividend increase, and a higher 2023 guidance. We continue to like the outlook for Element, as they have a number of drivers that should allow them to deliver 6–8% revenue growth annually even in a weaker economic backdrop. In particular, recent OEM production delays have created a large order backlog of vehicles that will be delivered throughout 2023 and 2024.

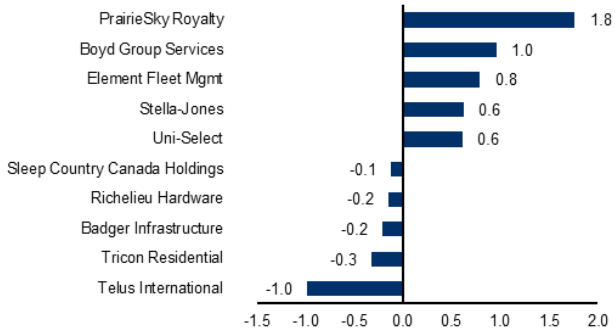
Our position in **Telus International (TIXT)** was the top detractor during the quarter, as the firm's high-tech customers have begun to slow spending rates in preparation for a potential economic slowdown, which hurt the stock. We continue to believe the long-term outlook for TIXT is robust and think the current valuation adequately compensates us for the risk of short-term revenue deceleration. **Badger Infrastructure Solutions** performed poorly in the quarter, as increased investment in sales and marketing negatively impacted financial results, and news of its CFO resigning weighed on the shares. While Badger has faced a number of headwinds in recent quarters, we think the worst of the operational issues are behind them and expect continued progress in executing their growth plan going forward. **Tricon Residential** was down in the quarter alongside weaker performance across the real estate sector in general. The impact of higher rates and a slower housing market have resulted in some deterioration in fundamentals and returns in single-family rental. However, we believe single-family rental remains more attractive than other real estate asset classes, positioning Tricon for solid long-term performance.

PH&N Small Float Fund –
Portfolio Attribution and Structure as of December 31, 2022

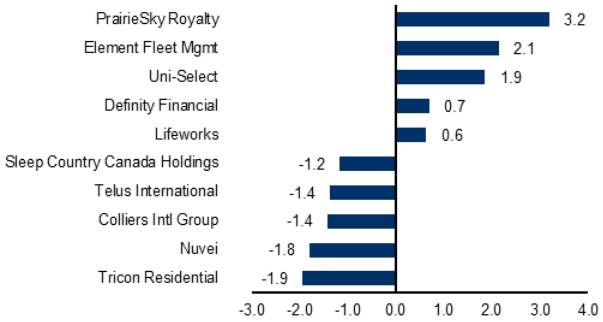
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
PH&N Small Float Fund	**31**	**3.9**	**1.4**
S&P/TSX Capped Composite Index	*236*	*57.6*	*3.2*

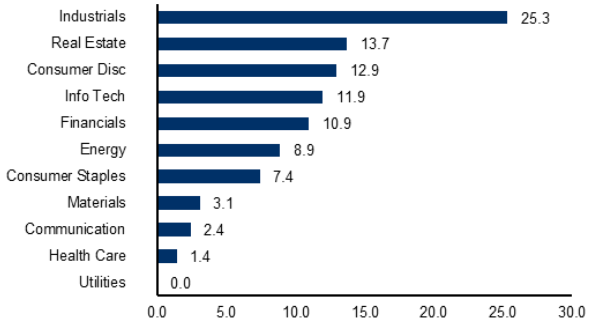
3 Month Attribution (%)



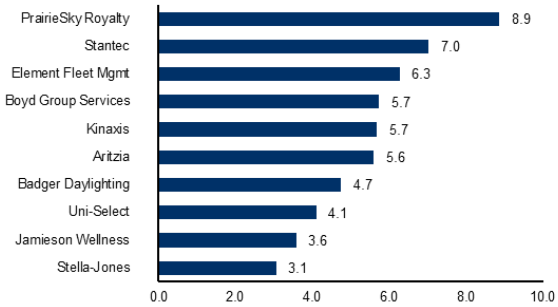
1 Year Attribution (%)



Sector Weights (%)



Top 10 Holdings (%)



RBC Global Equity Focus Fund

The RBC Global Equity Focus Fund returned 5.49% in the fourth quarter and -19.45% over the past year, underperforming its benchmark over both periods.

Global equity markets finished 2022 on a strong note, after what has otherwise been an extremely volatile year. Despite generating a positive absolute return over the quarter, the strategy underperformed its benchmark, in what has been a challenging year for performance. In terms of sectors, Heath Care and Financials detracted the most from relative returns, while Information Technology and Consumer Staples were the top contributors.

Swiss pharmaceutical and diagnostics company **Roche** was among the top detractors from returns. Underpinning the stock's weakness was the announcement that its experimental Alzheimer's drug failed to slow the advance of the disease. Despite the setback, Roche's core strengths – cutting-edge R&D and innovation that produce life-changing medicines and diagnostics – remain unchanged.

Alphabet and **Amazon** were also among the quarter's largest detractors from performance. In October, Amazon announced it expected this holiday season's sales growth to be the slowest in the company's history, as inflationary pressures and recession concerns caused consumers to pare back discretionary spending. Amazon's cloud division also experienced a slowdown in growth, as enterprise customers sought to reduce spending as business conditions worsened. Many of the same economic headwinds caused a considerable slowdown in Alphabet's revenue growth, as advertisers slashed spending.

After being among the largest detractors from returns last quarter, **AIA Group** and **Deutsche Post DHL Group** both experienced a reversal in performance, and were among the largest contributors to returns. AIA Group reported growth across all business segments, and exceeded new business expectations over the quarter. Deutsche Post DHL Group exceeded expectations across all divisions, and raised guidance against a softening economic backdrop, showcasing the German logistics company's ability to proactively adjust costs and capital expenditures in the face of softening demand.

There were four changes in the fourth quarter:

In October, we completed our purchase of **Lasertec**. Despite continuing to hold the business' competitive dynamics in high regard, our valuation discipline caused us to exit the position in November after the stock surged by 53% in U.S. dollar terms, leading it to be a major contributor to returns over the quarter.

In Energy, we reinitiated a position in U.S. oil and gas exploration and production company, **EOG Resources**. We've been encouraged by its continued progress on environmental commitments.

In Financials, we exited our position in **Silicon Valley Bank (SVB) Financial Group**, which was among this year's largest detractors from relative performance.

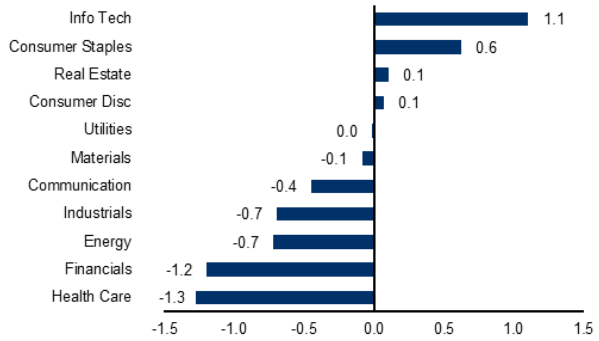
The proceeds from the SVB sale were used to initiate a position in **Morgan Stanley**. We believe the shifting business mix and the strength of its wealth management business is underappreciated by investors and will continue to be the key driver of long-term value creation.

RBC Global Equity Focus Fund –
Portfolio Attribution and Structure as of December 31, 2022

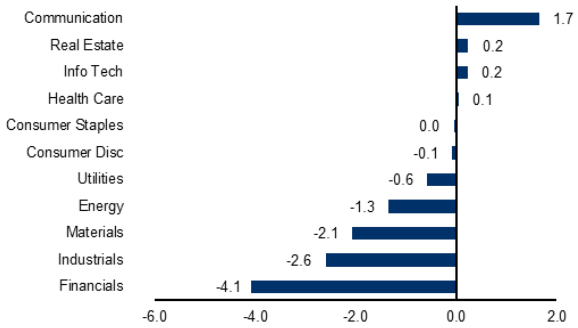
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
RBC Global Equity Focus Fund	**37**	**414.2**	**1.7**
MSCI World Net Index C$	*1508*	*396.6*	*2.2*

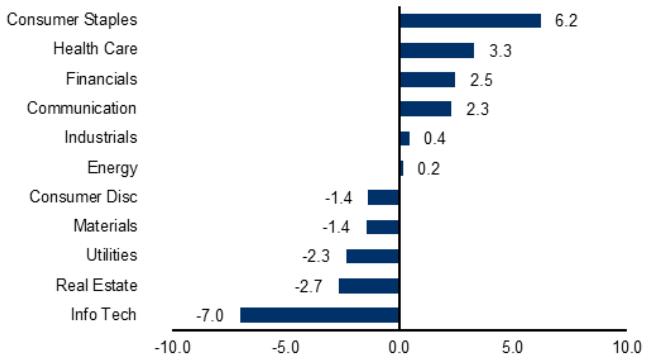
3 Month Attribution (%)



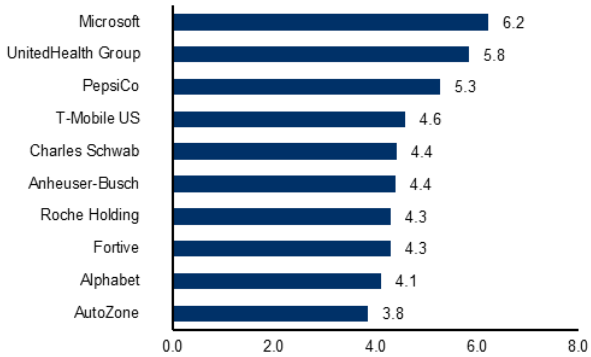
1 Year Attribution (%)



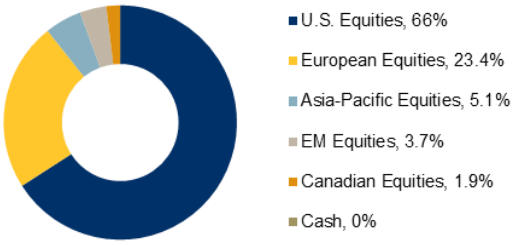
Sector Active Weights (%)



Top 10 Holdings (%)



Regional Breakdown (%)



RBC QUBE Global Equity Fund

The RBC QUBE Global Equity Fund returned 8.80% in the fourth quarter and -10.53% over the past year, outperforming its benchmark over both periods.

Our security selection model generated alpha for the fund, led by strong performance from our Quality and Value factor composites. Most notably, we continued to see Quality benefitting from the effects of higher yields. Stocks that score poorly according to Quality's measure of debt financing have been penalized by investors this year as swiftly rising rates have led to a more challenging and expensive environment in which to issue new debt. Additionally, we continued to see Value recover and contribute meaningfully to the fund's returns.

During the first half of the quarter, Profitability began to rally after trending sideways for most of the year. However, these gains were later erased and the factor ended the quarter and the year roughly flat. This was somewhat unexpected in the current environment; historically, Profitability has been a strong performer during periods of high recessionary risk, as investors tend to prefer companies that can weather economic downturns by generating superior net income and cash flow compared to peers.

Finally, we saw flat performance from our Growth and negative performance from our Technical (momentum) factor composites, both of which were performing reasonably prior to the low inflation print that occurred on November 10th. U.S. inflation came in 20 bps lower than expected, and while this doesn't necessarily mean that inflation peaked, it did cause terminal yields to drop sharply and sent equity markets up sharply. Specifically, the S&P 500 Index surged 5.5% in a single day.

In terms of sector attribution, underweight allocations to the Financials and Real Estate sectors contributed the most to relative performance, while overweight to Health Care was the largest detractor.

At an individual stock level, our underweight allocation to e-commerce company **Amazon** and overweight allocation to French aerospace company **Dassault Aviation** contributed the most to relative performance, while our overweight positions in technology business **Apple** and software company **Cadence Design Systems** were the largest detractors.

We initiated overweight positions in HR management software and services company **Automatic Data Processing** and financial institution **National Australia Bank**. Automatic Data Processing reported solid bookings and excellent customer retention in its most recent quarterly earnings release. In our model, the stock's Profitability increased significantly and is now very strong. National Australia Bank company was added based on a particularly strong and improving score in our country selection model.

Despite computer software business **Cadence Design Systems** continuing to boast strong Analyst and Profitability scores in our model, many of the stock's other factor scores deteriorated during the quarter and led us to decrease our overweight position in the stock. Last, we removed our position in home improvement retail business **The Home Depot**. The company's Q3/22 results beat expectations. That said, guidance for the year was left unchanged, which analysts interpreted as an implied Q4 downward guidance revision, and as such, our model's Analyst score declined.

RBC QUBE Global Equity Fund –
Portfolio Attribution and Structure as of December 31, 2022

Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
RBC QUBE Global Equity Fund	**210**	**367.1**	**2.2**
MSCI World Net Index C$	*1508*	*396.6*	*2.2*

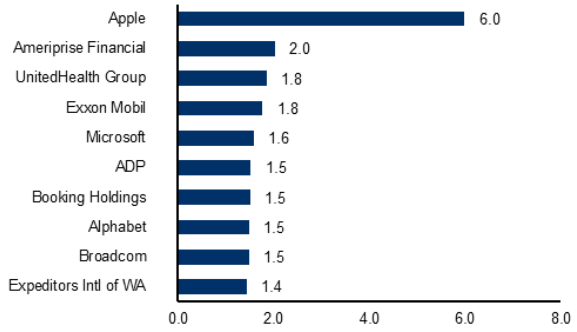
Factor Performance

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

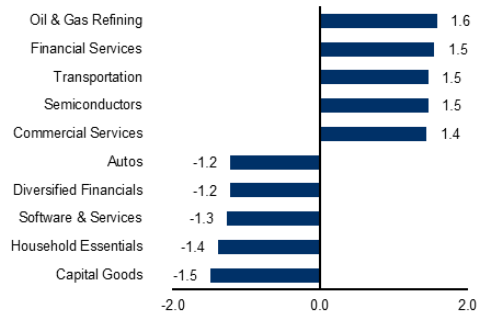
Illustrative Portfolio Metrics

	Fund	Benchmark
Forward Return on Equity (Profitability)	**42.4%**	*28.2%*
Forward P/E (Value)	**12.9x**	*15.7x*
Goodwill Growth (Quality)	**0.3%**	*1.4%*
Free Cash Flow Growth (Growth)	**23.7%**	*-0.2%*

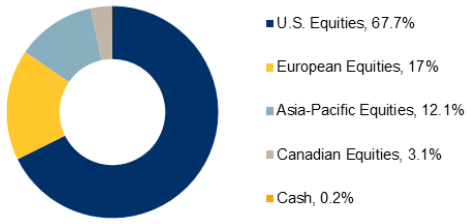
Top 10 Holdings (%)



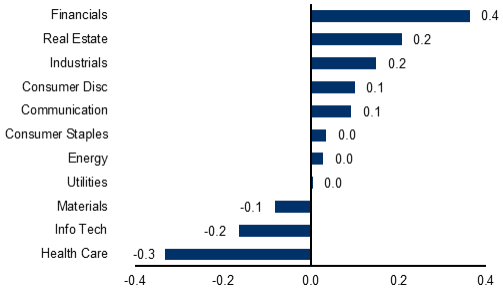
Largest iGICS Sector Active Weights (%)



Regional Breakdown (%)



3 Month Attribution (%)



RBC Global Equity Leaders Fund

The RBC Global Equity Leaders Fund returned 6.54% in the fourth quarter and -16.85% over the past year, underperforming its benchmark over both the periods.

Global equity markets finished 2022 on a strong note, after an extremely volatile year. Despite generating a positive absolute return over the quarter, the strategy underperformed its benchmark, in what has been a challenging year for performance. In terms of sectors, Heath Care and Financials detracted the most from relative returns, while Consumer Staples and Consumer Discretionary were the top contributors.

Swiss pharmaceutical and diagnostics company **Roche** was among the top detractors from returns. Underpinning the stock's weakness was the announcement that its experimental Alzheimer's drug failed to slow the advance of the disease. Despite the setback, Roche's core strengths – cutting-edge R&D and innovation that produce life-changing medicines and diagnostics – remain unchanged.

Alphabet and **Amazon** were also among the quarter's largest detractors from performance. In October, Amazon announced it expected this holiday season's sales growth to be the slowest in the company's history, as inflationary pressures and recession concerns caused consumers to pare back discretionary spending. Amazon's cloud division also experienced a slowdown in growth, as enterprise customers sought to reduce spending as business conditions worsened. Many of the same economic headwinds caused a considerable slowdown in Alphabet's revenue growth, as advertisers slashed spending.

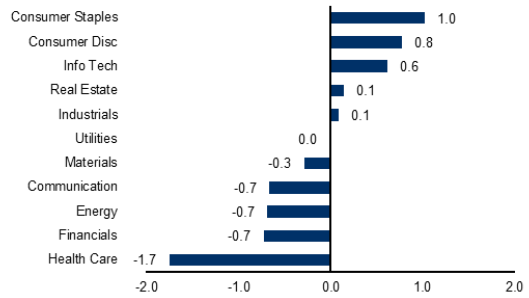
After being among the largest detractors from returns last quarter, **AIA Group** and **Deutsche Post DHL Group** both experienced a reversal in performance, and were among the largest contributors to returns. AIA Group reported growth across all business segments, and exceeded new business expectations over the quarter. Deutsche Post DHL Group exceeded expectations across all divisions, and raised guidance against a softening economic backdrop.

RBC Global Equity Leaders Fund –
Portfolio Attribution and Structure as of December 31, 2022

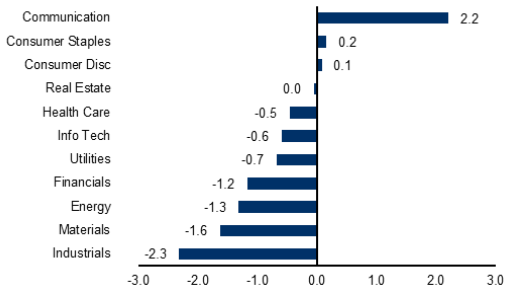
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
RBC Global Equity Leaders Fund	**27**	**448.4**	**1.8**
MSCI World Net Index C$	*1508*	*396.6*	*2.2*

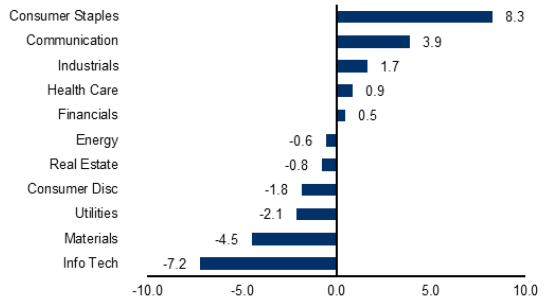
3 Month Attribution (%)



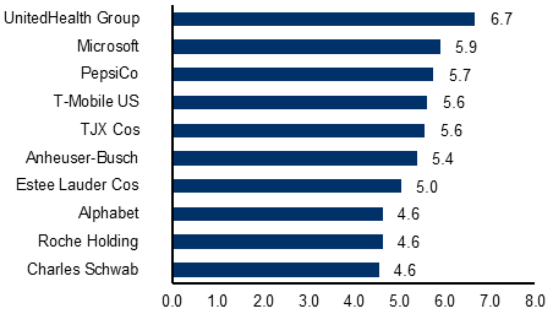
1 Year Attribution (%)



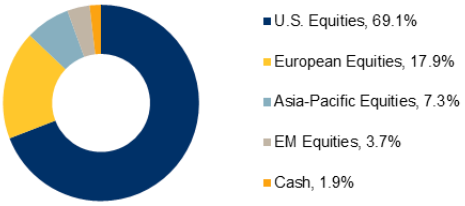
Sector Active Weights (%)



Top 10 Holdings (%)



Regional Breakdown (%)



RBC Emerging Markets Equity Fund

The RBC Emerging Markets Equity Fund returned 11.58% in the fourth quarter and -7.94% over the past year, outperforming its benchmark over both periods.

Stock selection was the main driver of the benchmark outperformance this quarter. At the sector level, stock selection proved particularly strong within Financials. The impact of sector allocation was, on aggregate, neutral; the lack of exposure to Energy benefited relative returns, while the overweight to Consumer Staples detracted.

From a geographic perspective, stock selection was especially strong in Chile and India, while choices in South Africa and Korea detracted. In terms of top-down positioning, the positive contribution from the strategy's overweight to Turkey was offset by the negative impact of the overweight to Indonesia.

At a company level, the fund's exposure to Chinese markets drove relative returns over the quarter, as the country's sudden reversal of its strict COVID-Zero policies sparked a massive rally in both the mainland and Hong Kong equity markets. Among the primary beneficiaries of the reopening were insurers **AIA** and **Ping An**, whose shares surged by 30% each over the quarter. Shares in the Hong Kong stock exchange owner **HKEX** also staged a strong recovery.

Chilean copper miner **Antofagasta** was also a top contributor over the quarter, with shares up nearly 50% on the back of a rebound in copper prices. Elsewhere in Latin America, shares in **FEMSA**, the leading operator of convenience stores in Mexico, were up after the company reported stronger-than-expected Q3 results.

Finally, our holding in Turkish industrial conglomerate **Enka** was a top contributor, with its shares up almost 90% in Q4 amid broader strength in Turkey's equity market.

Turning to detractors, Indian companies were weaker over the quarter, as investors took a pause after several quarters of strong relative performance. This hurt several of our holdings in the country, including industrial automaker **Mahindra & Mahindra**, which saw a slight correction in its share price in Q4.

Elsewhere in India, shares of the country's largest generics manufacturer **Dr. Reddy's** were hit by anti-monopolistic litigation relating to the recent launch of a cancer-fighting generic drug in the U.S. However, all claims have now been dismissed, and we continue to have a positive outlook on the company.

Information technology stocks remained weak over the quarter, which impacted the fund's holding in pure-play memory maker **SK Hynix**. The company was negatively impacted by the ongoing industry down cycle with low demand continuing, inventory levels rising, and selling prices declining.

Within Financials, shares in Brazilian bank **Banco Bradesco** fell, as positive investor sentiment waned due to a deteriorating political environment in Brazil following an extremely close presidential election in October. The bank also published disappointing quarterly results amid worsening asset quality.

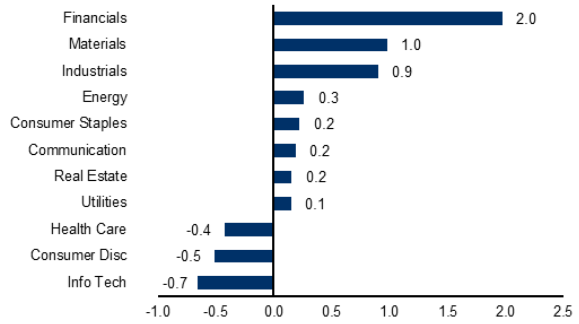
Finally, not owning South Korean index heavyweight **Samsung** detracted from relative returns in Q4.

RBC Emerging Markets Equity Fund – Portfolio Attribution and Structure as of December 31, 2022

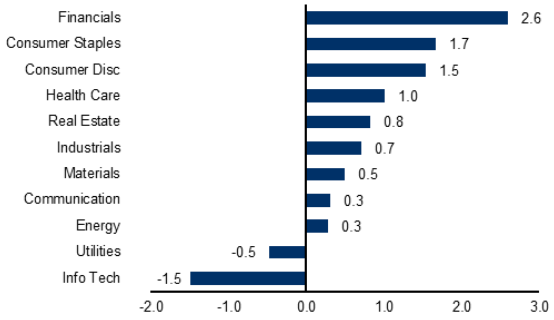
Fund Characteristics

	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
RBC Emerging Markets Equity Fund	**48**	**117.7**	**2.5**
MSCI Emerging Markets Net Index C$	*1377*	*127.7*	*3.4*

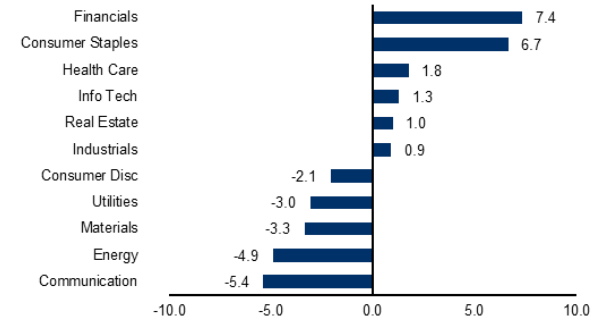
3 Month Attribution (%)



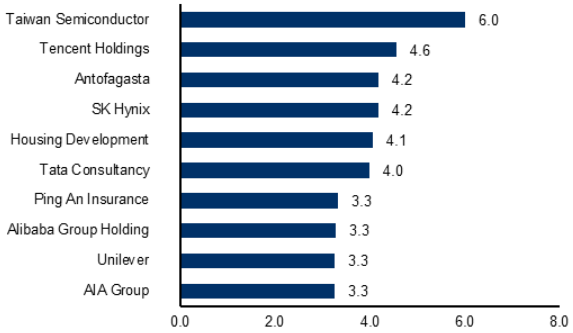
1 Year Attribution (%)



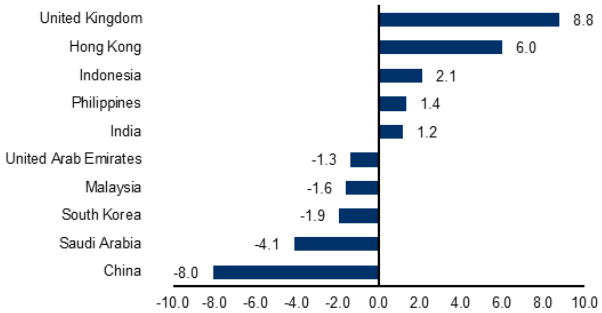
Sector Active Weights (%)



Top 10 Holdings (%)



Top Five/Bottom Five Country Active Weights (%)



* UK exposure includes the fund's position in Unilever and two EM companies that are listed on the London Stock Exchange (Antofagasta and Mondi)