



Investment Strategies

Opportunities in Alternatives

Canadian institutional investors in both return-seeking and liability-driven investment (LDI) settings are increasingly looking to alternative investment strategies in an effort to enhance risk-adjusted returns, reduce volatility and minimize correlations within portfolios. Phillips, Hager & North Investment Management (PH&N IM), working closely with other RBC Global Asset Management (RBC GAM)-affiliated managers, offers alternative investment solutions tailored for Canadian pension plans, endowment funds and other pools of institutional capital. Across RBC GAM's 21 investment teams located globally, eight manage and develop alternative investment strategies with over C\$13 billion (at June 30, 2015) in aggregate assets.

TORONTO

- Quantitative Equity Solutions
 - Canadian equity market neutral
 - U.S. equity market neutral
 - World equity market neutral
 - 120/20 Canadian equity

LONDON

- Investment grade credit long/short
- Corporate credit long/short
- Private market debt strategies
- Emerging markets long/short diversified credit



VANCOUVER

- Multi-strategy absolute return solutions
- Portable alpha and overlay solutions

Our spectrum of institutional alternatives solutions includes:

- Quantitative market-neutral and active extension strategies in Canadian and U.S. equity markets;
- Absolute return strategies in developed and emerging fixed income and credit markets;
- Specialty strategies in event driven credit and private market direct lending; and
- Pooled multi-strategy solutions using third-party and proprietary capabilities.

Equities
Market Neutral
Active Extension

Fixed Income
Absolute Return
Global Credit
Emerging Markets

Specialty
Event Driven Credit
Private Markets

Diversified
Multi-Strategy

Equities

Market Neutral
Active Extension

Equity Strategies

Drawing upon the expertise of the Canadian-based Quantitative Investment team, we offer market-neutral and active extension strategies in Canadian and U.S. equities.

Canadian and U.S. Market-Neutral Equity Strategies

The market-neutral strategies seek to provide consistent, absolute returns that are independent of the performance of the S&P/TSX Composite Index and S&P 500 Index, respectively. These strategies invest in those securities that are expected to outperform, while selling short an equivalent dollar amount of those securities that are expected to underperform. The strategies are actively managed using a proprietary quantitative investment process designed to implement traditional fundamental investment principles and also leverage the advantages inherent to quantitative tools including breadth and depth of coverage and objectivity of analysis.

Active Extension Strategy

The 120/20 Canadian Equity strategy seeks to provide long-term capital appreciation through investment in the equity and equity-like securities of Canadian issuers and to achieve lower volatility of returns than the broader Canadian equity market (as represented by the S&P/TSX Capped Composite Index). The Quantitative Investment team uses proprietary tools to identify Canadian companies with experienced, capable management, whose equities are priced below what the team considers to be their true value, thereby offering long-term opportunities for price appreciation. The strategy targets 120% exposure to long equity positions and 20% exposure to short equity positions with an expected beta of 1.0 times that of the underlying market.

Fixed Income

Absolute Return
Global Credit
Emerging Markets

Global Fixed Income Strategies

Through the capabilities of our UK-based affiliate, BlueBay Asset Management LLP (BlueBay), we offer alternative strategies in global fixed income and credit in developed and emerging markets.

Investment Grade Absolute Return Bond Strategy

The BlueBay Investment Grade Absolute Return Bond strategy aims to generate positive risk-adjusted returns by investing across global interest rates, currencies, sovereign and non-sovereign credit, and by utilizing the full range of cash and derivatives securities available. The strategy intends to be market-beta-neutral over a typical market cycle, and to generate alpha in periods of both rising or falling government yields and/or credit spreads.

BlueBay uses top-down inputs to identify key trends, valuation gaps, market dislocations and proprietary bottom-up analyses to identify directional and relative value opportunities.

Global Credit Alpha Long-Short Strategy

This strategy seeks to generate positive risk-adjusted returns by exploiting dispersion, asymmetry and volatility in financial, corporate and sovereign credits and in interest rates. The BlueBay research team produces a high volume of trading ideas across liquid instruments in the investment grade and crossover credit universe. We expect this strategy to generate most of its return from relative value opportunities, while using a variety of instruments including equity, currency and credit derivatives to hedge market risk. It is also expected to have a low correlation to the broader credit markets.

Emerging Market Opportunity Strategy

This BlueBay-managed strategy is a “best ideas” portfolio (both long and short) of sovereign and corporate fixed income securities from emerging market countries in both hard and local currencies. The strategy seeks to achieve attractive risk-adjusted returns over a full market cycle while minimizing volatility and downside risk. Asset allocation is relatively unconstrained, giving BlueBay the flexibility to seek returns through beta, alpha and relative value opportunities.

Emerging Markets Corporate Alpha Strategy

This BlueBay-managed strategy pursues attractive risk-adjusted absolute returns by taking long and short exposures primarily in emerging market corporate fixed income instruments. The strategy is designed for all parts of the credit cycle with multiple alpha sources including – but not limited to – relative value credit, event-driven situations and capital structure mispricing.

Specialty

Event Driven
Credit

Private Markets

Specialty Strategies

Again drawing on the experience of our UK-based affiliate, BlueBay, we offer PH&N IM institutional clients access to a number of unique specialty strategies.

Event Driven Credit Strategy

This BlueBay-managed strategy invests in a variety of short-to-medium-term distressed and high yield credit opportunities, primarily in Europe. The investment methodology is based on exhaustive bottom-up analysis, disciplined focus on downside protection, and detailed understanding of the events that can produce attractive risk-adjusted returns for investors.

Direct Lending Strategy

Also managed by BlueBay, this strategy focuses on providing direct lending solutions to high quality, small and medium-sized enterprises in Europe. By offering new senior secured and select subordinated loans, it aims to capitalize on the financing gap created by reduced bank and

alternative lending sources. The focus is on event-driven lending opportunities with the goal of capturing premium returns from acquisitions, growth and re-financings.

Diversified

Multi-Strategy

Diversified Strategy

A multi-strategy pooled solution represents an attractive way for PH&N IM clients to achieve a diversified, core allocation to alternatives for use as standalone or portable alpha structures.

Pooled Multi-Strategy Solution

We manage a core multi-strategy solution that draws upon RBC GAM's proprietary alternative investment capabilities. This solution offers Canadian institutional investors a strategically and tactically managed portfolio of RBC GAM alternative strategies in an easy-to-access pooled fund structure, appropriate for use within a portable alpha strategy or as part of a return-seeking portfolio.

Implementing Alternatives in Institutional Portfolios

The broad selection of alternative strategies outlined in this overview presents Canadian institutional investors with options to suit a diverse spectrum of investment goals, preferences and objectives. Whether in a balanced mandate seeking to reduce overall volatility or as part of a liability-driven investment structure, RBC GAM's alternative investment solutions offer Canadian institutional investors the potential to enhance risk-adjusted returns, reduce volatility and/or minimize asset-class correlations.

For additional details, please contact your PH&N institutional portfolio manager,
or call 1-855-408-6111 or email institutions@phn.com

VANCOUVER

Waterfront Centre, 20th Floor
200 Burrard Street
Vancouver, British Columbia
V6C 3N5 Canada
T 604-408-6000

TORONTO

22nd Floor
155 Wellington St. West
Toronto, Ontario
M5K 3K7 Canada
T 416-974-2710

MONTRÉAL

6th Floor, North Wing
1 Place Ville Marie
Montreal, Quebec
H3B 1Z5 Canada
T 514-876-1256

This document has been provided by Phillips, Hager & North Investment Management (PH&N IM) for information purposes only and may not be reproduced, distributed or published without the written consent of PH&N IM. It is not intended to provide professional advice and should not be relied upon in that regard. PH&N IM takes reasonable steps to provide up-to-date, accurate and reliable information, and believes the information to be so when printed. Information obtained from third parties is believed to be reliable, but no representation or warranty, express or implied, is made by PH&N IM, its affiliates or any other person as to its accuracy, completeness or correctness. We assume no responsibility for any errors or omissions. The views and opinions expressed herein are those of PH&N IM and are subject to change without notice. This information is not intended to be an offer or solicitation to buy or sell securities or to participate in or subscribe for any service.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the fund's offering memorandum before investing. Mutual funds are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. The unit values of mutual funds change frequently. Past performance may not be repeated.

Investments in alternative funds are speculative and involve significant risk of loss of all or a substantial amount of your investment. Alternative funds: (i) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (ii) can be highly illiquid; (iii) are not required to provide periodic pricing or valuation information to investors; and (iv) are not subject to the same regulatory requirements as prospectus-offered mutual funds. In assessing the suitability of these investments, investors should carefully consider their personal circumstances including time horizon, liquidity needs, portfolio size, income, investment knowledge and attitude toward price fluctuations. Investors should consult their professional advisors and consultants regarding any tax, accounting, legal or financial considerations before making a decision as to whether the funds mentioned in this material are a suitable investment for them.

PH&N IM is a division of RBC Global Asset Management Inc. RBC Global Asset Management (RBC GAM) is the asset management division of Royal Bank of Canada which includes RBC Global Asset Management Inc., RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management (UK) Limited, RBC Alternative Asset Management Inc., and BlueBay Asset Management LLP, each of which is a wholly-owned subsidiary of Royal Bank of Canada and a separate but affiliated corporate entity.

®/™ Trademark(s) of Royal Bank of Canada. Used under licence.

© RBC Global Asset Management Inc., 2015. Publication date: October 7, 2015. IC1510520

