RBC Global Asset Management
PH&N Institutional

Investment Management Report for

Presbyterian Church in Canada - Consolidated

For Period Ending March 31, 2023

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Overall Portfolio Summary

Summary of Assets

Overall Market Value ($)	**123,143,671**

Summary of Assets for Presbyterian Church in Canada - Fixed Income as of March 31, 2023	Market Value ($) March 31, 2023	Market Value (%)
PH&N Core Plus Bond Fund	74,237,261	100.0
Total Portfolio	**74,237,261**	**100.0**

Summary of Assets for Presbyterian Church in Canada - Global Equity as of March 31, 2023	Market Value ($) March 31, 2023	Market Value (%)
RBC Global Equity Focus Fund (CAD)	48,906,410	100.0
Total Portfolio	**48,906,410**	**100.0**

All fund units are Series O unless otherwise stated in the name of the fund.

Account Performance

Performance for Presbyterian Church in Canada - Fixed Income as of March 31, 2023 (%)

	3 Mo	YTD	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	10 Yr	SI*
Account	**3.35**	**3.35**	**-1.59**	**-2.73**	**-0.72**	**0.58**	**1.49**	**2.47**	**3.89**
*Benchmark***	*3.22*	*3.22*	*-2.01*	*-3.28*	*-1.67*	*-0.17*	*0.89*	*1.88*	*3.34*
Relative Performance	+0.13	+0.13	+0.42	+0.55	+0.95	+0.75	+0.60	+0.59	+0.55

* Performance inception date for Presbyterian Church in Canada - Fixed Income is May 01, 2007.
** The portfolio transitioned from a segregated account to the PH&N Core Plus Bond Fund on August 15, 2022

Performance for Presbyterian Church in Canada - Global Equity as of March 31, 2023 (%)

	3 Mo	YTD	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	10 Yr	SI*
Account	**2.77**	**2.77**	**-5.77**	**-0.93**	**12.82**	**8.30**	**-**	**-**	**8.64**
*Benchmark***	*7.60*	*7.60*	*0.74*	*5.00*	*14.46*	*9.39*	-	-	*9.53*
Relative Performance	-4.83	-4.83	-6.51	-5.93	-1.64	-1.09	-	-	-0.89

* Performance inception date for Presbyterian Church in Canada - Global Equity is March 26, 2019.
Total returns are gross of fees and reported in Canadian dollars. Periods less than one year are not annualized.

PH&N Core Plus Bond Fund

Fund Performance

Performance Comparison as of March 31, 2023 (%)

	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	SI *
PH&N Core Plus Bond Fund	***3.35***	***-1.70***	***-2.73***	***0.10***	***1.26***	***2.02***	***3.35***
FTSE Canada Universe Bond Index	*3.22*	*-2.01*	*-3.28*	*-1.67*	*-0.17*	*0.89*	*2.18*
Relative Performance	+0.13	+0.31	+0.55	+1.77	+1.43	+1.13	+1.17

Series O returns. Total returns are gross-of-fee and reported in Canadian dollars. Periods less than one year are not annualized.

* Inception date: June 30, 2013.

Fund Attribution

Attribution as of March 31, 2023 (%)

	Relative Performance	
	3 Mo	1 Yr
Interest rate anticipation		
Duration & yield curve	0.05	0.25
Real return bonds	0.00	0.00
Foreign sovereign bonds	0.03	0.09
Credit & liquidity		
Provincial & quasi-government bonds	-0.04	-0.05
Investment grade corporate bonds	0.04	0.13
High yield corporate bonds	0.01	-0.03
Mortgages	0.03	-0.05
Emerging market debt	0.04	0.00
Other	-0.03	-0.03
Total	**+0.13**	**+0.31**

First Quarter Review

Strategy Summary for the Quarter Ending March 31, 2023 (relative contribution to duration exposure)			
Strategy	**Change Over Q1**	**Position Ending Q1**	**Our View**
Duration & Yield Curve	Increased	Slight long duration	Reward for taking significant interest rate risk is not compelling given elevated uncertainty
Real Return Bonds	Unchanged	No position	Reduced liquidity given GoC's termination of issuance; sector not currently compelling
Foreign Sovereign Bonds	Decreased	Small position	Yield differential between U.S. treasuries and Government of Canada bonds at attractive level
Provincial and Quasi-Government Bonds	Unchanged	Moderate overweight in provincials; underweight in federal agencies	Provincial bonds offering better reward for risk relative to federal agencies
Investment Grade Corporate	Decreased	Medium overweight	Cautious on fundamentals; selectively taking advantage of compelling valuations
High Yield	Unchanged	Moderate position	Mindful of the growing list of risks in the current environment
Mortgages	Unchanged	Small position	Liquidity premium remains at appealing levels
Emerging Market Debt	Unchanged	Small position	Cautious of potential tail risks despite compelling valuations

- 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, albeit more modestly than in recent quarters. The Bank of Canada (BoC) increased its policy rate by 25 basis points (bps) over the quarter but signalled a conditional pause to allow time to evaluate the impact of tighter monetary policy. Yields were exceptionally volatile this quarter, but ultimately ended lower, while credit spreads widened as investors' risk appetites waned. Against this backdrop, bond market returns were positive, with the FTSE Canada Universe Bond Index returning 3.2%. The portfolio finished ahead of the benchmark for the quarter with contributions coming from interest rate anticipation and credit strategies.
- In aggregate, tactical management of the portfolio's duration and yield curve positioning was a positive contributor to relative performance as we took advantage of the heightened yield volatility.
- A small tactical position in U.S. Treasuries added slightly to performance. The spread differential versus similar-term government of Canada bonds fluctuated considerably over the quarter, but ultimately ended in line with where it began.
- Exposure to provincial and government agency bonds detracted from relative returns as spreads widened.
- The portfolio's overweight to investment grade corporates was a positive driver of relative performance due to our high-quality bias, despite spreads widening.

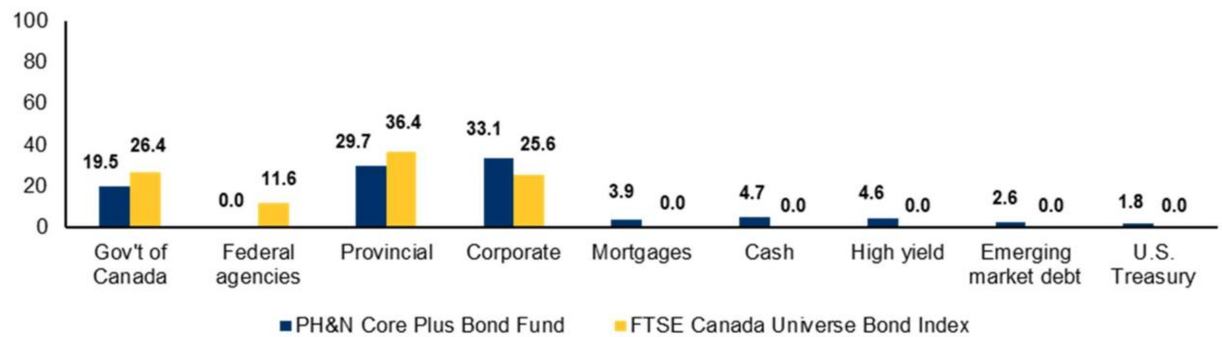
- The out-of-benchmark position in high yield bonds had a largely neutral impact on relative returns.
- The out-of-benchmark allocation to mortgages was additive to returns, driven by modest spread tightening and positive yield accrual.
- The out-of-benchmark allocation to emerging market debt was a modest contributor to relative performance, as the sector proved remarkably resilient amid a period of heightened volatility.
- Overall, the portfolio maintained its medium level of risk over the quarter; however, we remain focused on more liquid, high-quality areas of the market, as recession risk remains prevalent.

PH&N Core Plus Bond Fund Portfolio Structure as of March 31, 2023

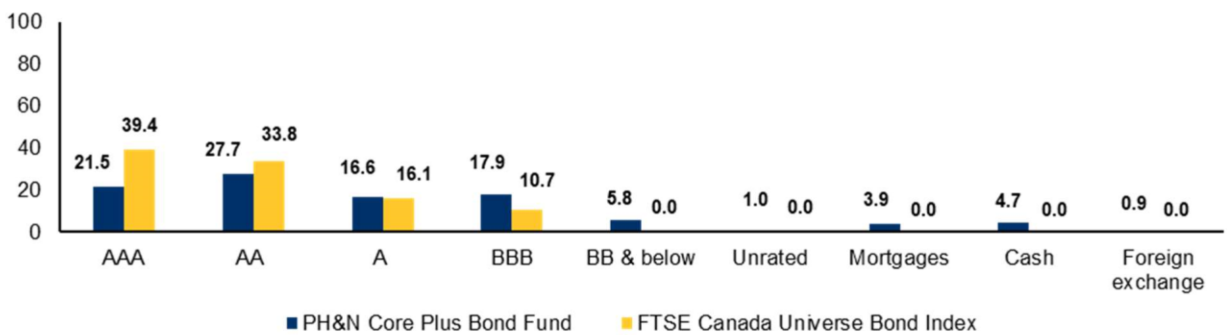
Fund Characteristics

	Modified Duration (Yrs)*	Term to Maturity (Yrs)	Yield to Maturity (%)
PH&N Core Plus Bond Fund	7.39	10.76	4.49
FTSE Canada Universe Bond Index	*7.31*	*10.06*	*3.95*

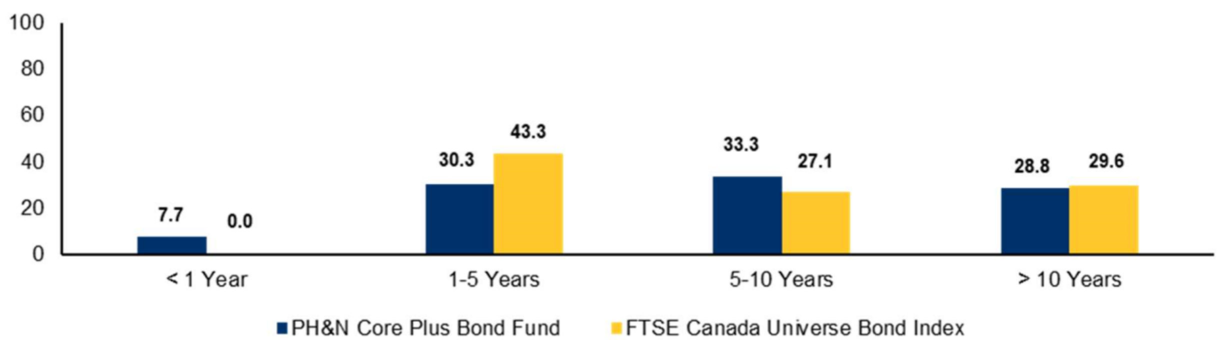
Issuer Analysis (%)



Rating Analysis** (%)



Maturity Analysis (%)



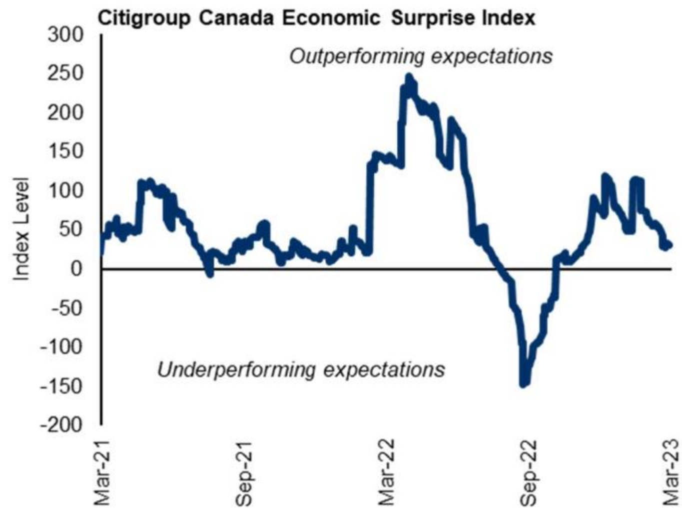
* Duration includes the duration of foreign instruments. Due to the Fund's foreign bonds having a much lower correlation to Canadian interest rates than implied by a conventional duration calculation, the reported duration measure does not correctly estimate true economic sensitivity of the Fund to Canadian base rates.

** Current ratings based on average across rating agencies (DBRS, Moody's, S&P) where available. Ratings at the time of purchase may differ.

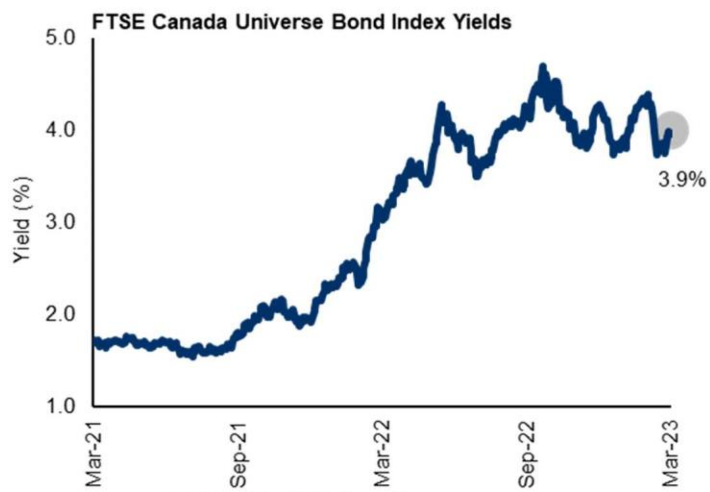
Totals may not add to 100% due to rounding.

Key Bond Market Developments

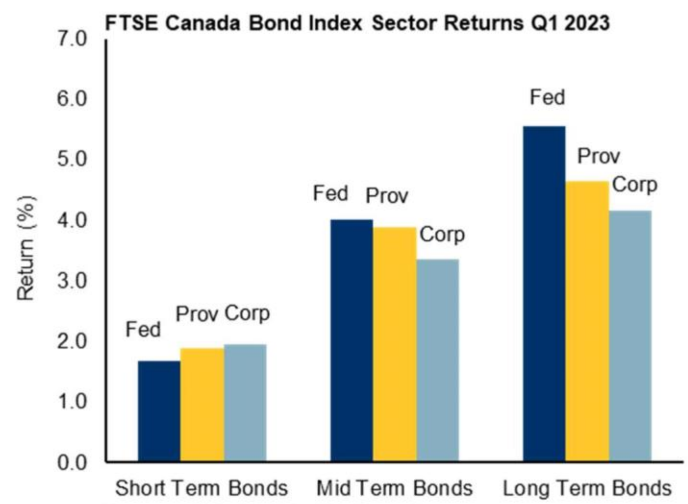
- The Canadian economy proved more resilient than anticipated in the first quarter. As a result, market participants expected further rate increases from the BoC to slow demand and bring inflation back to target. This caused Government of Canada (GoC) yields to increase in February and credit spreads to narrow. However, this trend reversed course rapidly in March as turmoil in the U.S. and European banking sectors triggered a flight to safety that resulted in lower GoC yields and wider credit spreads.
- The yield of the FTSE Canada Universe Bond Index ended the quarter at 3.95%, a decline of approximately 0.33% from where it began the period. Yields continued to exhibit heightened volatility over the quarter, oscillating within a ~65bps band and delivering 13 days on which universe bond yields changed by over 0.10%. This heightened volatility is a reflection of great uncertainty in the economic outlook as central banks must balance elevated inflation concerns with the impact of higher rates, especially on the financial system.
- The decline in yields resulted in positive returns across the maturity spectrum for the domestic bond market in the first quarter, with long-term bonds outperforming mid- and short-term bonds due to a higher sensitivity to interest rates (duration). Sector performance was broadly flat within short-term bonds. In mid- and long-term bonds, corporates modestly underperformed due to spread widening, while provincial and federal bonds outperformed, aided by their longer duration profile.



Source: RBC GAM, Bloomberg



Source: RBC GAM, FTSE Russell



Source: RBC GAM, FTSE Russell

Yields and total returns for key segments of the bond market are shown in the following tables:

Yields and Total Returns to March 31, 2023 (%)

	Yields		Returns	
	Current	Quarterly Change	3 Mo	1 Yr
FTSE Canada Short Term Overall Bond Index	4.09	-0.31	1.82	0.70
FTSE Canada Universe Bond Index	3.95	-0.33	3.22	-2.01
FTSE Canada Long Term Overall Bond Index	4.10	-0.30	4.72	-7.17
FTSE Canada Real Return Bond Index	1.37	-0.06	-0.23	-5.73
ICE BofA Global High Yield Constrained Index (USD)	8.67	-0.35	3.16	-3.70
JP Morgan Emerging Market Bond Index Global Diversified (USD)	8.50	-0.06	1.86	-6.92

Source: RBC GAM, FTSE Russell, Bloomberg, JP Morgan.

Total Returns to March 31, 2023 (%)

	Short Term*		Mid Term*		Long Term*	
	3 Mo	1 Yr	3 Mo	1 Yr	3 Mo	1 Yr
Federal	1.69	0.46	4.02	-0.41	5.56	-8.38
Provincial	1.89	0.93	3.89	0.35	4.64	-7.68
Corporate: All	1.95	0.87	3.35	0.15	4.16	-5.14
BBB	2.02	1.07	3.39	0.34	4.02	-4.27

* Sector returns are those of the respective FTSE Canada bond indices.

Source: RBC GAM, FTSE Russell.

The following table provides perspective on current conditions in Canada and the U.S.:

Current Conditions in Canada and the U.S. as of March 31, 2023 (%)

	Canada		U.S.	
	Current	Quarterly Change	Current	Quarterly Change
Central bank policy rate	4.50	+0.25	4.75-5.00	+0.50
3-month T-bills	4.37	+0.10	4.85	+0.43
2-year government bond yield	3.74	-0.31	4.06	-0.35
5-year government bond yield	3.03	-0.39	3.60	-0.39
10-year government bond yield	2.90	-0.40	3.48	-0.40
30-year government bond yield	3.02	-0.26	3.67	-0.30
5-year inflation expectation**	2.08	+0.04	2.48	+0.10
30-year inflation expectation**	1.79	-0.32	2.24	-0.11

** As embedded in yields on real and nominal bonds.

Source: RBC GAM, FTSE Russell, Bloomberg, U.S. Department of Treasury.

First Quarter Review

Duration and Yield Curve

A resilient economy combined with inflation well above central bank targets has necessitated the most aggressive policy responses by global central banks in nearly three decades. As a result, the economy is now slowly showing signs of cooling, with consumer price increases also decelerating. One area of continued strength is the very tight labour market, which has consistently surpassed consensus expectations over recent months. Following its 8th consecutive policy rate increase in January – an increase of 0.25% to 4.50% – the Bank of Canada (BoC) announced a pause at its March meeting, conditional on the economy evolving in line with its outlook. The U.S. Federal Reserve (Fed) pressed forward with monetary policy tightening, raising its policy rate by 0.50% over the quarter. Central bank efforts seem to be working, with inflation appearing to have peaked in mid-2022. Since then, in Canada monthly inflation has averaged 0.2% over the last six months, which represents an annualized rate of 2.5%; within the BoC’s target band of 1-3%. However, monetary policy acts with a lagged effect, so it will take time before the full extent of previous rate increases are fully absorbed by the economy.

While inflation was top of mind for market participants for most of the quarter, by mid-March the collapse of two U.S. regional banks, along with the fall and subsequent takeover of Credit Suisse by rival Swiss bank UBS, temporarily stole the spotlight as concerns emerged regarding systemic risk in the global financial system. Since then, regulators and policymakers have stepped in, and the fears of broader financial contagion appear to have been stemmed. However, such events serve as a reminder of the market stresses that can materialize from aggressive policy tightening. Against this backdrop, GoC yields were extremely volatile throughout the quarter, but ultimately ended the period lower overall. The yield curve remained significantly inverted at quarter end despite short-term GoC yields falling more than longer-term yields.

Amidst such volatility, the portfolio’s sensitivity to interest rates was managed tactically throughout the quarter. We entered the period with a duration position modestly shorter than that of the benchmark, but this position was quickly brought back in line with the benchmark following a sharp move higher in yields to begin the year. A neutral duration position was then maintained until late February, when we took the opportunity to extend the portfolio’s duration to slightly longer than that of the benchmark, where it was managed until the end of the quarter. Our view was that a significant amount of positive economic data had already been priced in, and current interest rate levels would be difficult for the Canadian economy to sustain for a prolonged period. The portfolio’s yield curve positioning was also adjusted in response to this expectation, but remains partly a function of where we see the most attractive opportunities within credit and liquidity strategies. Overall, the combination of the portfolio's duration and yield curve positioning had a positive impact on relative performance over the quarter.

Government of Canada Yields (%)					
	1 Yr	2 Yr	5 Yr	10 Yr	30 Yr
March 31, 2023	4.40	3.74	3.03	2.90	3.02
Forward Curve for March 31, 2024	2.97	2.83	2.57	2.79	2.94
Implied Change (1 year)	**-1.43**	**-0.91**	**-0.46**	**-0.11**	**-0.08**

Source: RBC GAM (BondLab), Bloomberg.

Looking forward, as of the end of Q1 the bond market is pricing in a meaningful decline in short-term yields, while long-term yields are priced to remain relatively unchanged over the next 12 months. This implies not only the end of the tightening cycle but the expectation that the BoC will cut interest rates in the near future amidst potential economic headwinds. We believe the path for bond yields going forward is uncertain, and that one could posit an unusually broad range of potential outcomes considering competing opinions on how inflation and economic growth unfold. In the near term, we believe yields will continue to exhibit heightened volatility as a result of central bank actions, investor confidence in their ability to rein in inflation, and investor demand for safe haven assets as economic vulnerabilities emerge. Periods of such market volatility provide avenues to add value, and we will continue to look for opportunities to be tactical, while remaining prudent, in our duration positioning.

Real Return Bonds

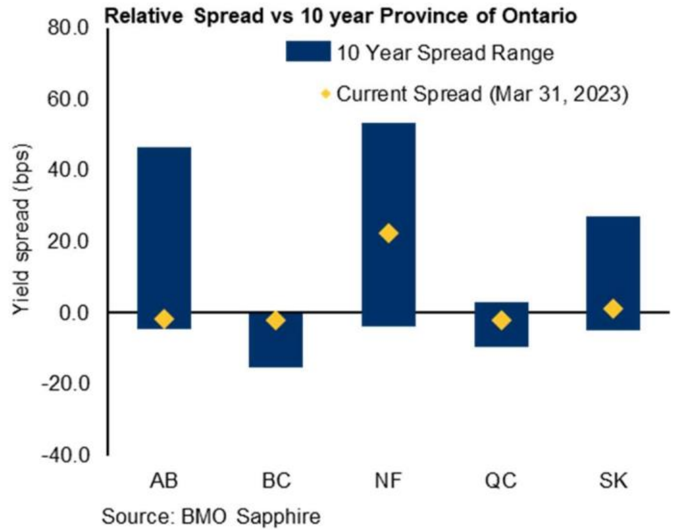
We continue to have zero exposure to real return bonds. The Government of Canada’s decision to cease issuance of real return bonds last November materially impacted liquidity in this market segment. As a result, the compensation that we would require for participating in this strategy has increased, and going forward we anticipate that we will not be as active in this sector. We will continue to monitor inflation expectations and liquidity conditions, but currently we do not consider real return bonds to be a compelling investment opportunity.

Foreign Sovereign Bonds

We entered the quarter with a long position in a currency-hedged 30-year U.S. Treasury (UST) bond as the difference in yield, or spread, between 30-year USTs and 30-year Government of Canada Bonds (GoCs) remained wider than we thought was justified by economic fundamentals. While we believe there is a case for UST yields to be higher than GoC yields, the speed and magnitude of the initial spread movement late in the third quarter of 2022 suggested that it was being driven by short-term technical factors, which tend to reverse after sudden moves.

Our original trade thesis that the spread between 30-year UST and GoC would narrow did not play out as anticipated as the spread basis fluctuated considerably with no discernible trend. Partway through the first quarter of this year, the spread between the two countries approached levels that were broadly in line with where we initiated the trade, and we took the opportunity to trim our exposure as we had reduced conviction in the trade. Additionally, the trajectory of policy rates in Canada and the U.S. began to diverge in the first quarter, resulting in some justification for the yield divergence between the two countries. We chose to maintain approximately half of our original exposure as it provides risk reduction at the total portfolio level due to the inverse relationship between UST yields and corporate credit spreads during times of market stress. Late in the first quarter we opportunistically added back a small amount to our position after the spread had again widened to attractive levels following the turmoil in the banking sector. Overall, our position size ended the quarter smaller than it began. The spread basis between 30-year UST and GoC bonds fluctuated considerably over the quarter, and despite ultimately finishing broadly in line with where it began, our tactical management resulted in a small positive contributor to relative returns over the quarter.

Quasi-Government Bonds



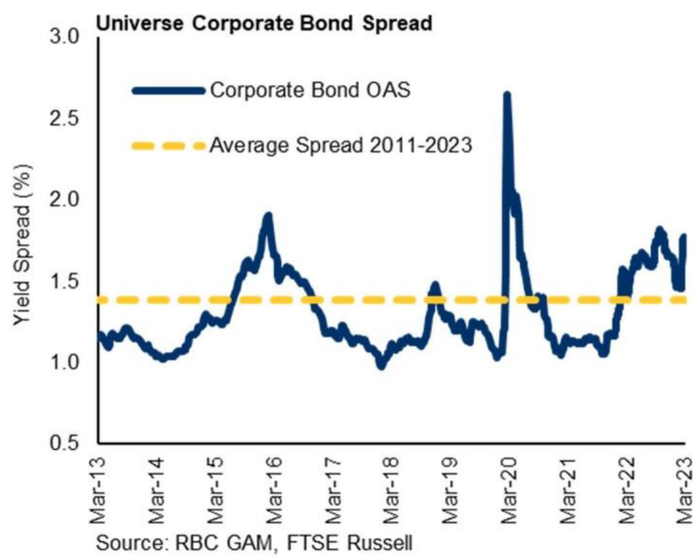
Provincial bond spreads widened slightly across all provinces and terms in the first quarter, albeit to varying degrees. For provincial governments, March 31st marked the end of the 2022-23 fiscal year, during which all provinces collectively achieved 102% of their funding requirements. Closing out the 2022-23 fiscal year, provincial new issuance ended the quarter with approximately $15 billion coming to market, in line with expectations. As provinces unveiled their fiscal 2023-24 budgets throughout March, which are projected to rise to around $95 billion in aggregate, a trend emerged whereby the upcoming year is expected to be characterized by an economic slowdown, less buoyant revenue growth, and residual spending pressures. As a result, if a recession materializes, provincial bonds may experience weakness alongside other risk assets.

Over the quarter, the portfolio's headline provincial overweight exposure remained largely stable. We did reduce the portfolio's exposure to the province of Ontario in favour of the province of Quebec. We continue to believe that the province of Quebec is trading at attractive levels given the fundamental backdrop – it has demonstrated considerable success at deleveraging, and its economy is less exposed to interest-rate-sensitive sectors. As a result, the portfolio's Quebec exposure is now our largest overweight position relative to the benchmark. The portfolio's second-largest provincial overweight is the province of Ontario, which offers superior liquidity and steady fundamentals relative to the other provinces. The portfolio's largest underweight is the province of British Columbia, where spreads are lower and we have concerns over its significant exposure to the levered real estate market.

The portfolio's exposure to federal agency bonds, such as AAA-rated Canada Housing Trust bonds, remained unchanged as we continue to have minimal exposure to this segment of the market in favour of higher-yielding credit strategies. As such, the portfolio remains positioned with a significant underweight exposure to this segment of the quasi-government bond market. In aggregate, the portfolio has an underweight exposure to provincial and quasi-government bonds and maintains a meaningful bias toward provincial bonds given their yield advantage over government agency bonds.

The portfolio's exposure to quasi-government bonds had a negative impact on relative performance over the quarter as spreads widened. We will continue to adjust the portfolio's quasi-government positioning tactically based on the attractiveness of opportunities relative to other segments of the bond market.

Investment Grade Corporate Bonds



Investment grade corporate credit spreads performed well for much of the quarter amidst a period of strong investor demand driven by historically high all-in yields and moderating levels of new issue supply. However, the rapid pace of rate hikes began to reveal vulnerabilities in the market, culminating in the U.S. and European banking turmoil that emerged in March, fuelling recessionary concerns and denting investor confidence. Unsurprisingly given the heightened volatility, corporate issuance underwhelmed with approximately $23 billion of new supply coming to market, down more than 50% from the first quarter of 2022. Despite the muted primary market activity, broad Canadian corporate bond spreads widened over the quarter as a result of the elevated volatility and risk-off sentiment in the market. Unsurprisingly, the financial sector came under the most pressure over the quarter.

From a fundamental standpoint, high debt levels among consumers and corporations remain a key concern, particularly in an environment of dramatically higher interest rates. Canadian consumer indebtedness remains elevated due to a previously hot housing market, and the cost to service that debt has increased significantly over the past year. Canada's mortgage debt service ratio, which measures the share of income a homebuyer dedicates to their mortgage debt payments, increased to 29% in the fourth quarter of 2022 – up from 12% a year earlier. A household that spends a large portion of its income on mortgage payments (and other debt-servicing costs) is likely more vulnerable to financial stress when confronted with higher interest rates, which could ultimately worsen the impact of a future market downturn. The timing of mortgage renewals coinciding with changing mortgage rates will be very important in this cycle. The biggest additional potential headwind, along with higher financing costs, is sustained high inflation, which may put further pressure on corporate earnings as the economy slows.

We were opportunistic in the primary market this quarter, participating in some attractively priced bonds from issuers with stable fundamentals. However, additions to the portfolio were more than offset by sales in the secondary market (primarily financial sector bonds), resulting in a modest reduction in the portfolio's investment grade corporate bond exposure. We are cognizant of the uncertain market backdrop and that we appear to be in the late-stage of the credit cycle; as a result, along with a decreased overweight exposure relative to the benchmark, we continue to favour the higher-quality areas of the bond market like infrastructure and power generation, which include regulated issuers with stable and predictable cash flows. Over the quarter, our high-quality bias helped reduce the negative impact of being overweight corporate bonds during a period of spread widening. Overall, the portfolio's exposure to corporate bonds contributed to relative performance.

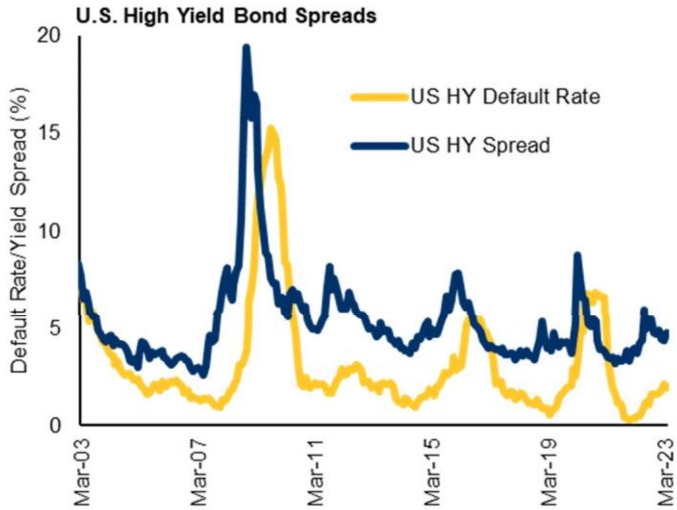
Private Placement Corporate Bonds

The portfolio's allocation to private placement corporate bonds is achieved through an allocation to the PH&N Private Placement Corporate Debt Fund (PPCDF). The PPCDF invests in investment grade private placement corporate bonds issued primarily in Canada but also abroad. For bonds unrated by an agency, PH&N will assign an internal rating, which must be of investment grade quality to qualify. One of the benefits of investing in private debt is the opportunity to expand and diversify investment opportunities. While many of the issues are infrastructure related, the private debt market encompasses many industries and sub-industries not available in the "public" markets. In addition, private placements often provide attractive illiquidity premiums for investors because they do not tend to have an active secondary market.

Private placement corporate bond spreads were slightly wider over the quarter, which was similar to what was witnessed in comparable-term public securities within the broader Canadian corporate bond market. Coupled with lower Government of Canada bond yields over the quarter, the portfolio returned a positive 3.8%. The extra spread over public corporate bonds provides an ongoing return tailwind.

The PPCDF did not participate in any new deals over the quarter. With respect to the current pipeline of new opportunities, we are currently engaged with a number of issuers on potential deals related to renewable power and public private partnerships (P3s). We access investment opportunities for the PPCDF via the private placement desks of bond dealers that are our traditional counterparties in public corporate bond markets. Our expectations for yield enhancement within this sector are in the order of 75–100 basis points over public market opportunities of similar credit quality.

High Yield Corporate Bonds



Source: RBC GAM, Bloomberg. US High Yield spread represented by ICE BofA Merrill Lynch US High Yield index. US high yield default rate represented by ICE BofA Merrill Lynch US High Yield index to Dec 31 2019, JPMorgan Jan 31 2020 to current

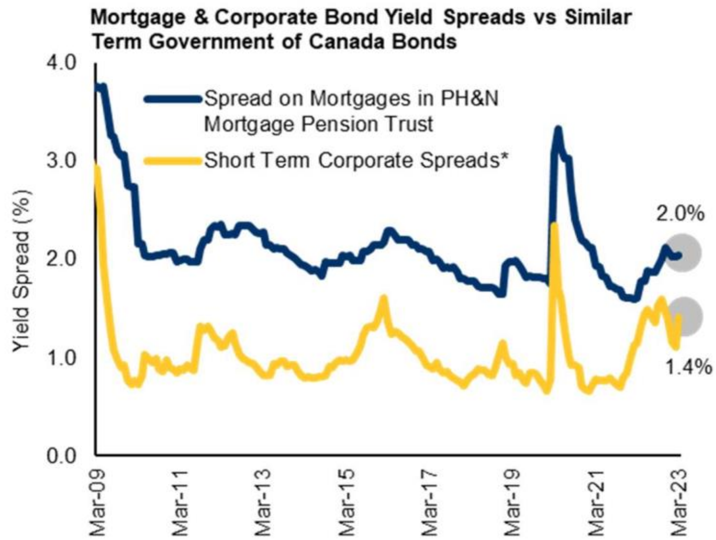
High yield bonds finished the quarter with positive performance driven by tighter credit spreads and lower government bond yields. High yield bond spreads trended downwards from January to early March but changed course following the significant shift towards risk aversion among investors as problems emerged within the banking sector outside of Canada. Concerns that began in U.S. regional banking and spread to Credit Suisse became the central focus, adding to worries around systemic risks in the U.S and European financial systems. While the U.S. Federal Reserve emphasized the fact that the U.S. has a sound and resilient banking system, the heightened spread volatility reflects the market's uncertainty about the potential unintended impacts of continued monetary policy tightening. That said, spreads tightened over the last few days of the quarter as actions by governments and central banks alleviated fears of broader contagion from the banking turmoil.

Issuance in the high yield market began 2023 strong but slowed over the course of the first quarter. Though capital market conditions for issuers were robust in early February, a risk-off sentiment began to dominate, and activity faded alongside a surge in yields. Despite a significant number of positive macro surprises impacting the global growth and inflation narrative, optimism faded. Default activity picked up through the first quarter of the year, in contrast to Q4 2022, when there were no defaults. As the high yield distress ratio is rising and default volumes continue to trend upwards, we expect investors to act with a heightened level of caution.

Given the potential for further spread volatility in an economic slowdown, we continue to favour a defensive position from an overall credit quality standpoint. The reward for risk in carefully selected high yield bonds remains compelling, with index yields hovering near 8.5%. Additionally, there are opportunities to collect 6-7% yields in certain investment grade issuers within our high yield portfolios, which we believe are undervalued. The size of our high yield exposure was maintained over the quarter and will be adjusted as necessary depending on how the market unfolds.

Mortgages

As of quarter-end, the mortgages held in the portfolio had a yield of 208 basis points (bps) over similar-term GoC bonds. Mortgage spreads tightened 2bps over the quarter despite spreads widening in other credit markets. Historically, mortgage spreads have followed the investment grade corporate market on a lagged basis, and we would expect this trend to continue. As such, we expect mortgage spreads to follow suit and expand along with short-term credit spreads over the coming months.



* FTSE Canada Short Term Corporate Bond Index
Source: RBC GAM (BondLab), FTSE Russell

Strong leasing activity and a consumer shift toward in-store shopping experience have led to modest rental growth and historically low vacancy levels in the Retail sector. While consumer spending remains stable, there are economic headwinds that could erode consumer balance sheet health, resulting in a decline in discretionary spending and a shift toward the grocery- and other non-discretionary-anchored retail that we focus on. In the Office sector, availability rates continue to climb as employers adapt to the hybrid work environment. However, we have also observed a strengthening return-to-office trend and flight-to-quality, which has mitigated the impact on high-quality office assets. A growing number of large national and international employers are announcing return-to-work mandates, and higher-quality properties are experiencing lower vacancy rates and higher rental growth than their lower-quality counterparts. Industrial continues to be the best-performing sector in the Canadian commercial real estate market and remains tight due to large supply-demand imbalances. We expect this to continue in the near to medium term, as construction activity is inadequate to meet demand; as a result, we see the opportunity for borrowers to bring below-market rents up to market levels. Like the industrial market, there is a large supply-demand imbalance in the multi-residential market. High immigration and deteriorating housing affordability coupled with a lack of supply have created a structurally tight market, resulting in sustained rental growth and occupancy stability for the properties supporting our mortgages.

As we navigate through this uncertain economic environment, our investment approach will continue to support the credit quality of the portfolio. We lend based on the ability of a property to generate sufficient income to support our mortgage payments, and the vast majority of our loans are fixed rate, insulating our borrowers from this rapidly changing interest rate environment. In addition to a proactive approach to servicing our loans, we have recently completed reviews of our exposure to loans maturing in the next year and in sectors that are at higher risk in the current environment. The review showed that all of our loans continue to pay on time, and we do not have any concerns over the ability for our borrowers to refinance but will continue to proactively monitor each loan closely. As of quarter-end, the mortgages held in the portfolio have a weighted average loan-to-value ratio of 56% and debt-service coverage ratio of 1.67x. These metrics demonstrate the conservative nature of the mortgages held in the portfolio and the significant cushion that exists should vacancies increase or property values decline.

Emerging Market Debt (EMD)

We believe that EMD presents a unique opportunity to diversify sources of value added within the portfolio, given its attractive yield profile, solid credit quality, and lower correlation to Canadian fixed income instruments.

Despite significant volatility in developed fixed income markets, EMD proved remarkably resilient. Headwinds that challenged EMD in 2022 abated in Q1; namely, central banks appear to be at or nearing the end of their rate hiking cycles, China has reopened its economy and provided support measures for a suffering property sector, Europe navigated the milder-than-anticipated winter without suffering a gas shortage, and Ukraine continues to make progress in the war against Russia. Against this backdrop, all sectors of EMD posted positive returns.

Local currency sovereign was the top-performing sector, supported by positive performance within both foreign exchange (FX) and interest rates. With respect to FX, a depreciating USD resulted in strong positive returns from EMFX. Regarding interest rates, many emerging market countries are well ahead of their developed market counterparts with respect to monetary policy tightening; as a result, EM rates performed well on the expectation that central banks may begin cutting policy rates soon. Hard currency sovereign spreads widened slightly on waning risk appetite, but this was more than offset by positive performance from declining U.S. treasury yields. Spreads also widened within hard currency corporate bonds, although to a milder degree. Positive performance within the hard currency corporate sleeve was driven by the Chinese real estate sector, which continued to rebound on the back of China reopening its economy and announcing additional support measures for the struggling property sector.

Looking ahead, the outlook for EMD is mixed. On the positive side, many of the headwinds that previously challenged EMD have subsided. However, following the recent banking turmoil, it’s likely that there will be tighter bank lending conditions which will limit the availability of credit, ultimately subduing growth prospects. That said, we anticipate that emerging markets will prove resilient compared to other credit risk assets, particularly local currency bonds where a more cautious Federal Reserve and high interest rate differential will provide support for the sector. Within EM corporates, the outlook is more cautious given the higher cost of funding that now needs to be absorbed by corporations. That said, fundamentals remain strong. Across both the sovereign and corporate credit markets, we are focusing on idiosyncratic opportunities to generate value add, despite the macro uncertainty.

Bond Market Outlook

Major fixed income indices posted positive performance over the quarter following a meaningful decline in bond yields. Fixed income returns in the first quarter proved remarkably volatile as stronger-than-anticipated economic data early in the period transitioned to concern surrounding U.S. and European banking institutions that dominated headlines in March.

While most signs are pointing to inflation having peaked, strong economic data supported the case for additional interest rate hikes from the BoC and the Fed, which raised interest rates by 25 bps and 50 bps respectively throughout the quarter. Following the January rate hike, the BoC signalled a conditional pause on raising interest rates to allow for the impact of elevated rates to take effect. Though the BoC expects to hold rates steady, it may be too early to declare an end to monetary policy tightening, as further rate hikes remain possible if inflation doesn't continue to fall in line with expectations. The lagged effect of higher interest rates on the economy is expected to slow economic growth and to ultimately result in a shallow contraction in the second half of 2023. That said, it must be conceded that the outlook is more uncertain than usual.

Economic Fundamentals

Since the start of the year, investors welcomed the notion that inflation may have peaked and that the pace of tightening has slowed, resulting in GoC yields ending the quarter lower. Importantly, the main drivers that initially spurred inflation have since reversed course. Namely, supply chain constraints have eased, the commodity shock has abated, and excessive monetary and fiscal stimulus has ratcheted down. However, it may be too soon to declare victory as the rate of improvements has slowed and more work remains to be done to bring inflation in line with target. We are mindful of factors that could serve to slow the descent of inflation going forward. Mainly, the labour markets remain exceptionally tight, and nominal wage growth has been trending higher as a result. A tight labour market is one factor could lead to more persistent core inflation. Our base case is that inflation will continue to fall meaningfully in 2023, however it is unlikely to approach the BoC's 2% target in the short term.

Nevertheless, it appears that the BoC remains comfortable with the current policy rate after raising the rate by 4.25% in less than a year, and highlighted clear signs that it's been successful in softening demand. Personal savings rates have fallen as higher rates and sticky inflation continued to erode purchasing power. Despite labour market strength, job openings have started to fall from previous highs and layoffs are rising, particularly in the tech sector. Further, the recent developments in the banking sector and their impact on financial conditions within the economy should provide the BoC with added comfort in holding policy rates steady for now.

While signals of a potential recession remain in place, the timing and depth of its impact are uncertain as recent developments are creating conflicting forces. Ongoing economic resilience argues that the recession risk is falling, while financial stress and sticky inflation suggest that the recession risk is rising. Further, the recent banking turmoil, although confined to a few areas currently, has magnified global recession fears as banks are less willing to lend in an effort to preserve capital, which will likely result in a slowdown of economic activity. That said, the strength of the labour market should help buffer some of these effects. Against this backdrop, our view is that the risk of a recession has increased modestly over the quarter, although uncertainty in the potential outcomes remains elevated.

Valuations

Yields across the entire curve were lower over the quarter, with short- and mid-term yields declining to a greater extent than their long-term counterparts. Yields were also extremely volatile, and we anticipate that this will continue given the heightened uncertainty regarding the economic outlook. Nominal bond yields are driven by two factors: inflation expectations and real bond yields.

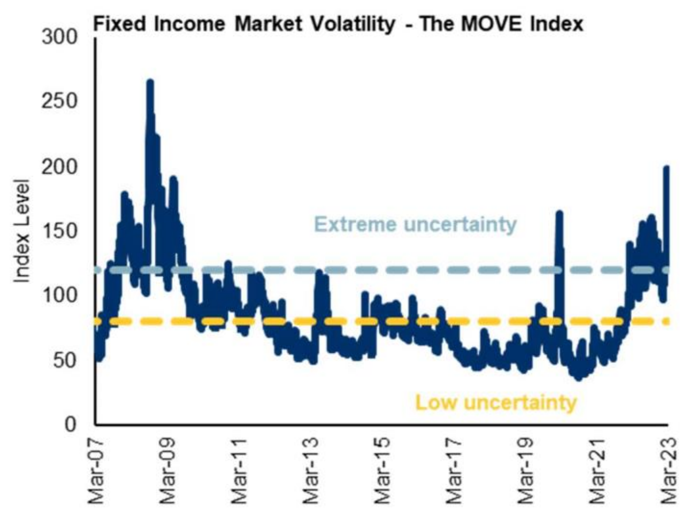
Source: RBC GAM, Bloomberg

Headline inflation remains high and broad-based but appears to be heading in a downward trajectory from its June 2022 peak. As mentioned, the main drivers that were initially responsible for overheating inflation have all reversed course, and furthermore, components of core CPI have shown signs of cooling, supporting market expectations that the slowdown in inflation is likely to continue. Despite the unusually wide range of possible outcomes, the five-year market-implied inflation expectations remain close to 2.1%, well below last year's levels, which could reflect the market sentiment that consumer prices are trending in the right direction. Long-term market-implied inflation expectations were reined in over the quarter and are now below the BoC's 2% inflation target. Structural forces, such as aging demographics, slowing population growth, and technological advancements, are expected to have a downward effect on prices in the long run.

The other component of nominal bond yields is the real, or after-inflation, rate of interest. Economic theory suggests that real rates of interest are driven by long-term growth expectations and society's preference for saving versus spending. Although real, or after-inflation, interest rates have moved slightly higher in the past three months, structural forces such as aging populations and an increased preference for saving versus spending should limit how high real interest rates can go. Over the near term, however, inflation and bouts of risk aversion will likely be the factors dominating the trajectory for bond yields.

Sentiment

Short- and mid-term Government of Canada yields fluctuated by more than 0.20% a day several times throughout March. Although inflation worries were slightly subdued, recession risks started to surface as the impacts of higher interest rates weighed on the economy. Headwinds intensified as a result of tighter monetary policy and reduced fiscal stimulus, causing considerable uncertainty in the bond market. This was exacerbated by investors' concerns around systemic risks in the financial system following the failure of two U.S. regional banks. The evolving economic and market backdrop, paired with the fact that both the Canadian and U.S. yield curves are still deeply inverted, suggests that financial market volatility is likely to continue. As a reminder, the yield curve tends to trend towards an inversion during the later stages of an economic expansion, when central banks are influencing short-term yields to restrain the economy with continued rate hikes, and long-term yields are subdued by investors' expectations of slowing economic growth ahead.



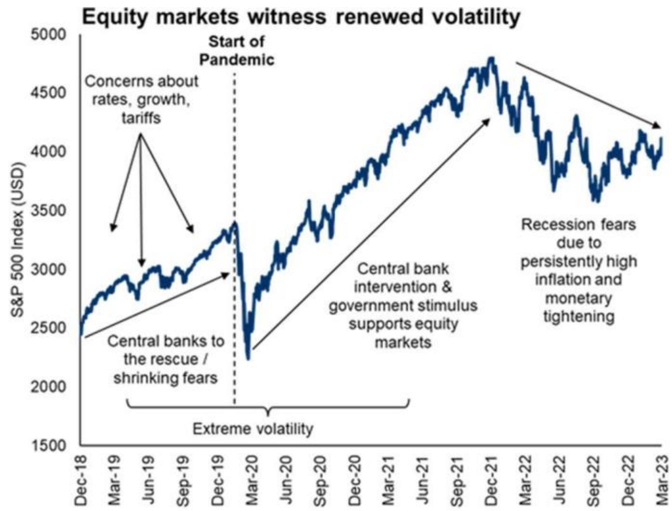
Source: RBC GAM, Bloomberg

While bond market volatility was elevated in January and February, it greatly intensified in March amid contagion concerns from the rapidly evolving banking sector stresses. The uncertainty manifested itself in the data of the ICE BofA MOVE Index ("MOVE Index"), a well-known sentiment indicator. This index can be considered the bond market's version of the better-known VIX "Fear" Index for equities, and calculates the future volatility in U.S. Treasury yields implied by the current prices of options on U.S. Treasuries for various maturities. The index tends to trade between 80 and 120, with 80 representing very low uncertainty and 120 representing extremely high uncertainty with respect to future bond yields. As such, relatively low levels are generally associated with a low demand to hedge interest rate risk, while high levels reflect an increased demand for risk protection. During the first quarter, the MOVE Index surpassed levels seen at the height of the pandemic and reached levels last seen during the 2008 Global Financial Crisis. There is no doubt that the rate volatility is suggesting that the market is in a state of heightened uncertainty, as bond investors navigate the implications of a rising interest rate environment.

Macroeconomic and Capital Markets Commentary and Outlook

The following commentary summarizes meaningful trends and events that we've observed over the past quarter.

Markets rallied at the start of the first quarter on the back of optimism surrounding a pause on rate hikes. However, the rally gave way to significant **market volatility** toward quarter-end amidst signs that rate hikes were having an economic impact as cracks emerged in a few parts of the banking system.



Source: RBC GAM, MSCI World Index as of March 31, 2023

There has been much to cheer from a **macroeconomic** standpoint in recent months. A few of the positives include the performance of the labour market and consumer spending, China's reopening, Europe's economic resilience in the face of an energy shock, and marginally easier financial conditions. Moreover, U.S. job creation continued to run at a heady pace and even accelerated in early 2023. Canada's experience has been similar, and unemployment rates across most of the developed world have declined to levels not seen in decades. However, we believe the massive and sudden surge in interest rates over the past year is almost certain to cause economic pain. Signs of weakness are already discernible in the housing market, rising goods inventories, diminished business confidence, and scaled-back capital spending. Moreover, there have been some troubles in the banking sector recently.

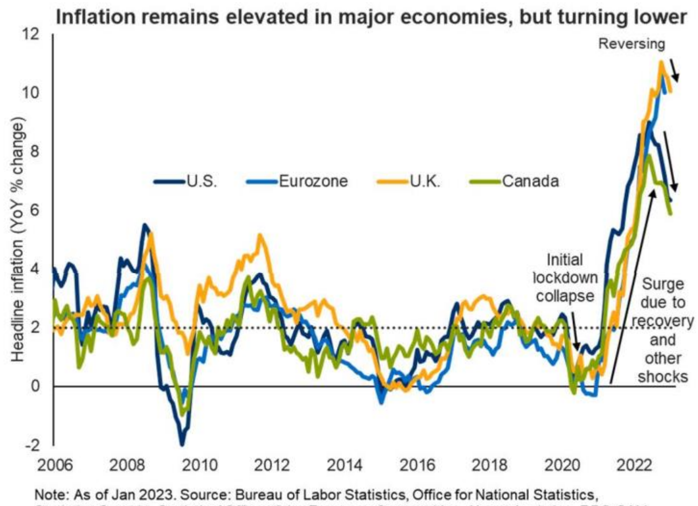
The recent collapse of a few **U.S. regional banks** illustrates the extent to which tighter monetary policy can cause worrisome financial contagion. Global banking witnessed further turmoil with the collapse of Credit Suisse, which was subsequently taken over by UBS. Despite assurances and timely intervention by governments and financial regulators, concerns about the health of the global financial system persist in the aftermath of these stunning developments, and

Recession signals point mostly to "yes" or "likely"

Signal	Indicating U.S. recession?
2yr-10yr curve inverts	Yes
3m-10yr curve inverts	Yes
Fed short-term curve inverts	Yes
Inflation spike	Yes
Duncan leading indicator falls	Yes
Financial conditions tighten	Yes
Monetary tightening cycle	Likely
Google "recession" news trend	Likely
RBC GAM recession model	Likely
Oil price spike	Maybe
Jobless claims jump	Maybe
Unemployment increase	No, but trending sideways

Note: As at March 3, 2023. Bloomberg, RBC GAM investors continue to be wary. We assign an 80% chance to a U.S. recession materializing, and expect that it will occur in the second half of this year.

Though **inflation** continues to remain above target, it continued on a downward trajectory and the main drivers that contributed to the inflation surge have now all reversed. Namely, the commodity shock has waned, supply-chain bottlenecks continue to improve markedly, and excessive monetary and fiscal stimulus have been curtailed. Moreover, businesses' pricing power may be fading and home prices have begun to fall. Given these conditions, we forecast a faster-than-expected decline in inflation. Nevertheless, a myriad of counter forces could keep inflation uncomfortably above central banks' targets. These factors include a tight labour market and low productivity growth. Although our base-case inflation forecasts appear reasonable, there is an unusually wide range of possible outcomes. These range from inflation remaining too hot to, alternatively, inflation abruptly converting to temporary deflation.



Note: As of Jan 2023. Source: Bureau of Labor Statistics, Office for National Statistics, Statistics Canada, Statistical Office of the European Communities, Haver Analytics, RBC GAM

After pursuing aggressive rate hikes over the last year in an attempt to counter high inflation, **central banks** eased their stance in the first quarter by either keeping their rates unchanged or increasing rates by less than what was witnessed in 2022. However, signals from central banks were mixed, with some, such as the Bank of Canada, indicating that they have reached the finish line after considerable effort, while the Fed, the European Central Bank, and the Bank of England hinted that modestly to moderately more tightening lies ahead. However, as inflation ebbs, central banks will ultimately be in a position to take their foot off the brake. Though interest rates are unlikely to return to prior lows, it makes sense that a structurally low interest-rate environment gradually reasserts itself given elevated global debt levels, demographics, and a low speed limit for economic growth. More generally, the recent increase in interest rates has highlighted certain vulnerabilities.

Global equity markets witnessed a full gamut of investor emotions during the first quarter, with early cheer giving way to gloom over stubbornly high inflation and fallout from Fed rate hikes. The MSCI World Index rebounded 20% between mid-October and early February before giving back some of those gains toward the end of the quarter, finally ending Q1 up 7.60%. The rally featured a change in leadership in several areas within the market, which we think could signal the start of durable new trends. Some of the big shifts included a weakening U.S. dollar; the outperformance of international equities versus U.S. stocks; and market leadership among cyclical sectors, small- and mid-cap stocks, and value stocks. Although markets are likely to remain somewhat volatile, we think the bulk of the adjustment in valuations with respect to broader financial markets is likely behind us. Looking ahead, we think corporate profits will present a major challenge to financial markets as slowing economic growth and the impact of rising costs weigh on companies' record-high profit margins.

Equity Indices Performance Comparison as of March 31, 2023 (%)

	3 Mo	1 Yr
S&P/TSX Composite Index (C$)	4.55%	-5.17%
S&P 500 Index (C$)	7.30%	-0.25%
MSCI World Net Index (C$)	7.60%	0.74%
MSCI EAFE Net Index (C$)	8.34%	6.86%
MSCI Emerging Markets Net Index (C$)	3.83%	-3.25%

Source: RBC GAM

The **Canadian equity market** ended the first quarter in positive territory. The S&P/TSX Composite Index returned 4.55% in Q1, underperforming both the S&P 500 and the MSCI World Index when measured in Canadian dollars. Fears about the possibility of widespread bank failures led to a global sell-off in early March and crude oil also plunged amidst fears that the overall economy was in jeopardy. That said, the situation for Canadian banks is different. Critically, Canada has larger, more concentrated, more diversified, and better capitalized banks relative to the U.S. In the context of current stresses, Canadian banks place a smaller fraction of their assets into long-dated bonds, they mark those bonds to market such that there are no hidden losses off balance sheet, and a significant fraction of the bond portfolio is hedged such that the resulting losses from rising interest rates are manageable. As acute risk aversion faded and further global or regional bank failures failed to materialize, confidence in the economy and stock markets improved. Among the top-performing TSX sectors during the quarter were Information Technology, Materials, and Consumer Staples.

Though **emerging market equities** recorded their second successive quarterly gain, they underperformed developed markets in the first quarter. A difficult 2022 meant that a rebound in equities was to be expected, especially as inflation eased back down from a very high level. The start of the year saw renewed optimism about emerging markets, given the re-opening of China's economy. Though U.S.-China tensions resurfaced in the aftermath of the shooting down of a Chinese high-altitude balloon in U.S. airspace, optimism about the re-opening of the economy and an apparent easing of regulatory pressure on the internet sector were positives for the market. Going forward, emerging market equities look brighter compared to developed markets for several reasons. These include attractive equity valuations and the expected depreciation of the U.S. dollar, the latter of which is strongly associated withemerging market outperformance. That said, uncertainties about the global macroeconomic environment, notably the likelihood and extent of a global recession, will continue to be watched closely.

RBC Global Equity Focus Fund

Fund Performance

Performance Comparison as of March 31, 2023 (%)

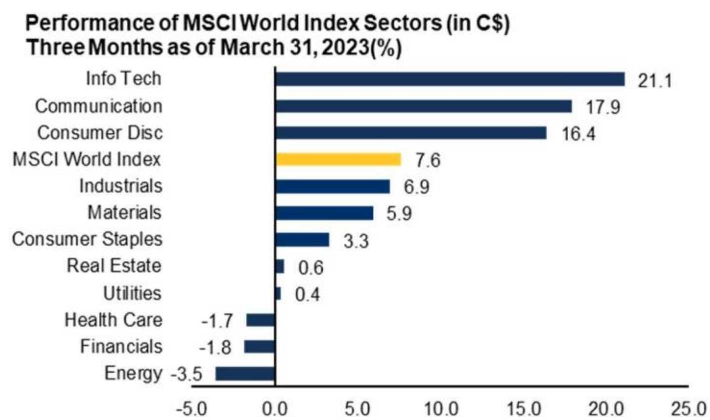
	3 Mo	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	SI*
RBC Global Equity Focus Fund	**2.77**	**-5.77**	**-0.93**	**12.82**	**8.30**	**8.87**	**12.64**
MSCI World Net Index C$	*7.60*	*0.74*	*5.00*	*14.46*	*9.39*	*9.06*	*10.34*
Relative Performance	-4.83	-6.51	-5.93	-1.64	-1.09	-0.19	+2.30

* Since Inception Date: April 28, 2014.
Series O returns. Total returns are gross-of-fee and reported in Canadian dollars. Periods less than one year are not annualized.

The RBC Global Equity Focus Fund is a concentrated strategy managed with a core investment style focused on companies with strong competitive dynamics. Our process is designed to avoid unintended risks while maximizing company-specific exposures. We identify companies that exhibit the strongest long-term fundamentals, and then construct our portfolio using our thorough risk management approach.

Performance Highlights

In spite of stubbornly high inflation, tighter monetary policy, and banking turmoil, global equity markets started 2023 on a positive note. While the strategy generated a positive absolute return over the quarter, relative performance was disappointing. In terms of sectors, the majority of the portfolio's underperformance came from Financials and to a lesser extent Health Care and Energy, while Information Technology and Real Estate were the top contributors.



In Financials, **First Republic Bank** was the largest detractor from performance. We initiated a position in the U.S. regional bank in 2014. Our investment thesis was that First Republic's exceptional client service would allow them to successfully expand client relationships and drive superior long-term organic growth, while their conservative loan underwriting standards would ensure the bank remained resilient in the face of challenging economic environments. Over the next eight years First Republic successfully delivered on this thesis. High satisfaction scores from clients proved to be a strategic advantage, as the business doubled its high-net-worth clients and cumulative losses on all loans were meaningfully lower than peers. These fundamental characteristics and improvements helped the stock significantly outperform the Financials sector and the broader market.

In March, however, the collapse of Silicon Valley Bank (SVB) caused a sudden loss of depositor and investor confidence, which triggered a sharp decline in First Republic's stock price. Once we concluded that the bank's stock price, and ultimately its ability to continue operating, would be more influenced by market confidence rather than its underlying fundamentals, we acted quickly to sell the position but didn't exit unscathed. Ultimately, our learning is that we placed too much emphasis on the bank's strong credit quality relative to peers, which we believed would help see them through a recessionary period, but the rapid flight of deposits caught us by surprise. U.S. discount broker **Charles Schwab** was also negatively impacted by the ripple effects of SVB and was likewise among the quarter's largest detractors from performance.

Additionally, many of last year's best-performing positions were this quarter's largest detractors, and vice-versa. For example, **UnitedHealth Group** was the portfolio's top contributor to returns in 2022 but weighed on performance in the first quarter. Despite the setback in performance, we maintain our belief that the integration of its benefits programs and Optum platform (the technology-focused arm of their health services business) continues to distinguish the company from peers and is among its key competitive advantages.

In Energy, our positions in **EOG Resources** and **Equinor** both detracted from performance, as both companies' share prices responded negatively to lower commodity prices and higher-than-expected capital expenditure guidance. Not owning Tesla, Meta, and Apple also detracted a combined 1.5% from relative performance, given their large benchmark weights and strong performance over the quarter.

Positive contributors include Information Technology companies **NVIDIA** and **TSMC**, which saw their stock prices rebound in the first quarter after experiencing weakness in 2022. NVIDIA benefitted from increased demand for the advanced chips required to power generative AI and large language models, for which NVIDIA is the undisputed market leader. As for TSMC, the world's largest pure-play semiconductor manufacturer, despite experiencing some cyclical softness in semiconductor chips, the company continues to enjoy strong pricing power, which is supportive for gross margins. Longer term, regional diversification of fabrication plants outside of Taiwan remains a key positive driver.

Trading and Positioning

Turnover is typically low given our long-term ownership mindset and commitment to owning only companies with strong competitive dynamics. However, this quarter saw several positioning changes due to shifting industry competitive dynamics and internal rating downgrades, which led us to reallocate capital into stocks that we believe can create the greatest long-term value.

In January, we completed the purchase of **Safran**, a global aerospace equipment manufacturer with a leading position in narrowbody jet engines, and a strong position in helicopter turbines, landing gear, safety equipment, and interiors. After-market revenues matter disproportionately to Safran, as the "razor-razorblade" business model is designed to generate reliable, recurring maintenance revenues. As aircraft tend to have an average lifespan of over 25 years, this generates a highly attractive annuity-like cash flow stream. The business model is supported by very high entry barriers due to significant upfront costs, long development times, and stringent regulatory and safety requirements.

In February, we completed the purchase of **LVMH Moet Hennessy Louis Vuitton**. LVMH is a portfolio of some of the world's strongest luxury brands. The company operates in an industry with attractive long-term growth characteristics, manages the business for the long term, and has strong pricing power.

We initiated a position in **Visa**, which is preparing the next leg of growth and continues to expand its value-added services offer (e.g. digital payment platform for merchants), which has grown to about 20% of the company's revenues. Additionally, it is aiming to capture share in the much larger markets of "push" payments such as peer-to-peer, business-to-consumer, or government-to-consumer through the creation of Visa Direct, a network connecting multiple country networks of real-time payment solutions enabling global money movement.

We also added **Eurofins Scientific** to the portfolio. Eurofins operates over 900 laboratories in 50 countries, providing analytical testing services to the pharmaceutical, food, and environmental sectors. The company is a global market leader in environmental, food, and biopharma testing as well as speciality and routine diagnostic testing. The addition was funded by divesting from **Amgen** after our valuation target was reached. We subsequently added **American Water Works** to the portfolio to help manage the portfolio's beta exposure.

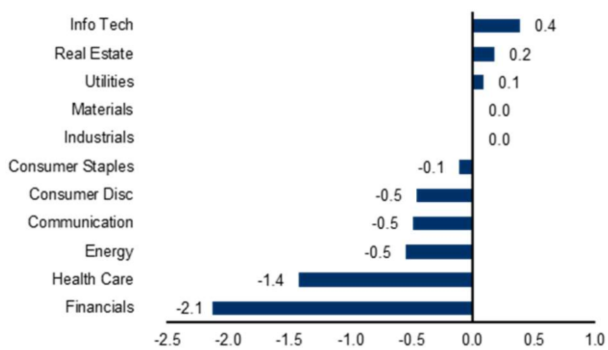
Finally, we exited our positions in **Ørsted** and **Neste**. While we continue to like the long-term potential for offshore wind, we are concerned about offshore wind project costs and their future return potential. We exited our position in Neste as the competitive landscape for renewable diesel is becoming more intense due to significant capacity additions from multiple international energy companies as well as independent refiners, especially in the U.S., where they will benefit from the Inflation Reduction Act. This could cause some pricing pressure in renewable diesel.

In conclusion, after several years of strong returns, performance more recently has been disappointing. Our approach of investing in a well-diversified portfolio of industry-leading businesses at attractive valuations remains unchanged, but we have diagnosed specific areas of underperformance, and adjusted positioning accordingly. Looking ahead, the economic environment remains highly uncertain. Consequently, we have structured the portfolio such that we can outperform across a range of market environments and recapture returns. Encouragingly, we observe that the market currently appears to be focused on short-term issues such as the potential for a recession, creating opportunities to invest in high-quality businesses at attractive valuations, and we will seek to capitalize on such opportunities when they present themselves.

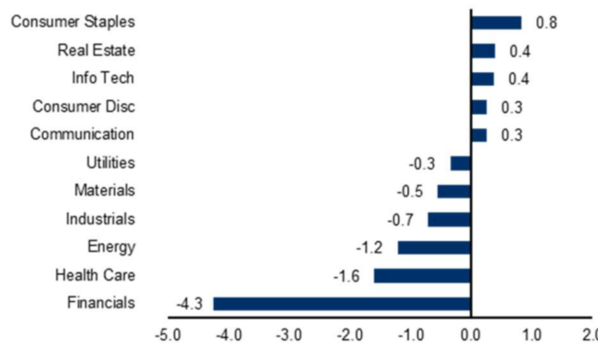
RBC Global Equity Focus Fund
Portfolio Attribution and Structure as of March 31, 2023

Fund Characteristics	# of Holdings	Avg Market Cap (C$ billions)	Dividend Yield (%)
RBC Global Equity Focus Fund	**38**	**503.5**	**1.6**
MSCI World Net Index C$	*1509*	*507.5*	*2.1*

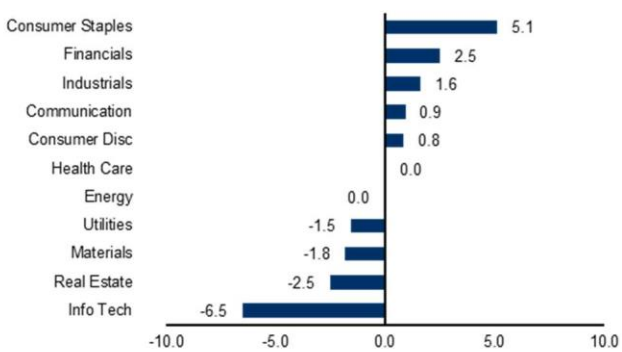
3 Month Attribution (%)



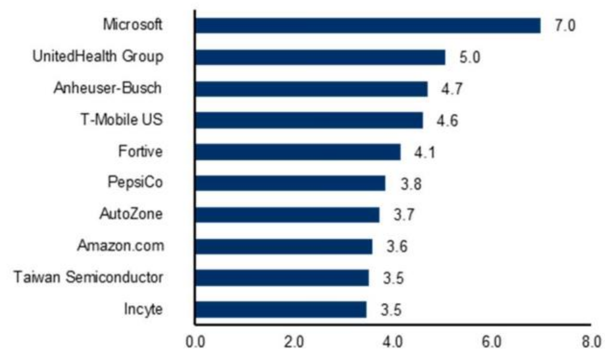
1 Year Attribution (%)



Sector Active Weights (%)



Top 10 Holdings (%)



Regional Breakdown (%)

Compliance Report

as of March 31, 2023

This is to confirm that as of this quarter end, The Presbyterian Church in Canada Consolidated portfolio managed by PH&N Institutional was in compliance with its Statement of Investment Policies and Procedure dated November 24, 2022 and the investment policies for the following funds:

- PH&N Core Plus Bond Fund
- RBC Global Equity Focus Fund

Paul Purcell, CFA
Managing Director & Portfolio Manager

RBC GAM ESG Spotlight: 2023 Proxy Voting Season Preview

At RBC Global Asset Management (RBC GAM), we believe that proxy voting is a key part of our stewardship process, as it provides an important way for us to convey our views to the boards and management of our investee companies. We take an active and thoughtful approach to our proxy voting activities, and we exercise the voting rights of the portfolios we manage in the best interests of our clients and with a view to enhancing the long-term value of the securities held.

Each year, our Corporate Governance & Responsible Investment (CGRI) team monitors ongoing developments in corporate governance and, with input from our investment teams, updates the RBC GAM Proxy Voting Guidelines (the "Guidelines") to reflect current trends and what we believe to be best practices. Each year, many issuers hold their annual shareholder meetings between April and June, a period known as "proxy voting season." These meetings provide shareholders with the opportunity to vote on a range of issues – including the election of directors, executive compensation, and shareholder proposals focused on environmental, social, and governance (ESG) issues, among other items.

In this this article, we will discuss E, S, and G considerations for the upcoming proxy voting season, and outline relevant updates we made to the RBC GAM Proxy Voting Guidelines for 2023. In addition, we will feature some of the engagements conducted by our investment teams with investee companies on material ESG topics this past quarter.

E: Management "say-on-climate" proposals

As investors push issuers to publish climate transition plans, a recent trend has emerged where issuers hold periodic advisory shareholder votes on the plans. This practice, known as "say-on-climate," emerged from a campaign by a few activist investors in 2020. Spanish airport operator Aena was the first company to establish an annual vote on climate change in response, and an increasing number of issuers worldwide have since done the same.[1] Several public companies have voluntarily agreed to propose a recurring – frequently annual – advisory vote on climate plans.

These relatively new management proposals ask shareholders for their approval of the firm's climate transition strategies, progress reports, and climate-related disclosures. A climate transition plan is a time-bound action plan that describes how a company will adjust its business model, if needed, in order to follow the most recent and ambitious recommendations from climate science.

Although investors saw 24 management say-on-climate proposals on ballots in 2021, the number of such instances increased by 67% to more than 40 proposals in 2022. In 2021, shareholders usually expressed strong support for these measures, with 75% of such proposals receiving at least 90% support from shareholders. However, the average levels of support decreased in 2022. One in five (20%) proposals put forth in 2022 had support levels between 50% and 80%.[2]

[1] Source: https://www.sayonclimate.org/
[2] Source: Institutional Shareholder Services (ISS)

Although we expect management say-on-climate proposals to remain on the rise in 2023, we expect shareholder scrutiny to remain steady or increase, as evidenced by decreasing support levels in 2022. Support levels for future proposals are difficult to predict, but 2022 showed an interesting short-term trend, which could be indicative of investors familiarizing themselves with these proposals.

2023 Guidelines update

This year, we updated the language in our Guidelines to better communicate how we evaluate such proposals. When evaluating say-on-climate management proposals, we will consider the *completeness* of climate-related plans as well as the *suitability* of said plans, as determined by RBC GAM, for the company on a best-efforts basis. In addition, we will consider newly disclosed climate transition plans with room for improvement if there is demonstrable evidence and commitments indicating improvements are forthcoming.

We generally do not support proposals if climate-related plans do not provide sufficient and transparent disclosure of the governance, strategy, risk management, metrics, and objectives as they relate to climate-related risks and opportunities. Moreover, we may not support plans that do not enhance disclosure and performance, where applicable, or do not have objectives and carbon reductions at least on par with peers.

S: Diversity, equity, and inclusion (DEI) and racial equity

As disclosure of aggregate employee diversity data is becoming more widespread – such as through public disclosure of Equal Employment Opportunity data in the U.S. – and as more businesses publish the promotion, recruitment, and retention rates of their employees, we believe investor expectations are changing with regard to this important factor.

With increased availability of data, investors are better positioned to engage with companies that are seen as laggards and press for more information about their strategy and targets for improvement. Based on 2022 shareholder proposal trends, other workforce DEI topics investors are monitoring include the effectiveness of issuers' efforts to prevent harassment and discrimination, and greater disclosure on concealment clauses in employment agreements that may restrict employees' ability to discuss unlawful acts in the workplace, such as harassment and discrimination.[3]

Another recent DEI focus area on proxy voting ballots has been "racial equity audits," which typically seek an independent examination of the impacts of business policies and practices on underrepresented racial or ethnic groups. Several U.S. firms have committed to carrying out these audits, and in the 2022 proxy voting season, 21 shareholder proposals on this subject received an average of 44% support.[4] Early signs indicate investors will continue to request similar audits from companies in 2023, and with some issuers having now completed requested audits from past proxy voting seasons, investors in those issuers may be able engage on audit results.

[3,4] Source: EY Center for Board Matters: “2023 proxy season preview”.

2023 Guidelines update

We believe that initiatives that promote diversity, dignity, and safety in the workplace can benefit issuers and their investors. In recent years, requests for enhanced disclosures on workplace DEI programs and related metrics have become more common, particularly in the U.S. Although our guidelines previously covered this type of reporting, in 2023, we added specific expectations with regarding this issue, given the prevalence of these requests.

We will generally vote in support of proposals that ask companies to enhance disclosure of DEI issues in the workplace, including DEI programs, goals, and demographic metrics. We will also generally support proposals that request that companies report on racial or gender pay equity where the company has inadequate policies or disclosure and its practices lag behind peers', or the company has been the subject of a recent controversy, including litigation, related to racial or gender pay equity.

G: Dual-class shares and unequal voting rights

When a firm has dual-class shares, some classes of shares are given multiple votes per share, which results in unequal voting rights between classes of shares. The principle of "one share, one vote" is contravened by this structure. Unequal voting right structures can allow minority shareholders to make decisions that may not be supported by most shareholders.

We believe dual-class share arrangements can negatively impact minority investors by giving insiders who are both shareholders and managers voting power that is disproportionate to their equity participation. In our view, this can facilitate controlling shareholders making decisions that are not in the best interests of minority shareholders, such as pursuing or rejecting certain transactions. Furthermore, it can lead to governance risks and oversight risks, and pave the way for poor alignment between pay and performance. Nonetheless, such control is sometimes desired by investors since it can enable management and business owners to carry out their plans more efficiently (particularly in the initial years of a newly public firm). The key argument in such scenarios is that management's ability to act with more efficiency outweighs the governance risks associated with such an arrangement.

We believe that there are exceptions where it may be in shareholders' best interests to continue operating under this unequal voting rights structure. For instance, there may be cases where we believe a founder or group of founders should continue to have full control of the company to keep creating shareholder value. That said, we believe these cases should generally be supported by shareholder protections. We also recognize that when investing in an issuer with unequal voting rights, this is a known factor to the investor, which can be incorporated into the analysis.

2023 Guidelines Update

The governance issue of unequal voting rights is a longstanding one, and in 2023, we updated our Guidelines to reflect our general voting approach for issuers with unequal voting right structures. Specifically, where an issuer that has historically used an unequal voting rights structure does not have adequate protections for minority shareholders, we may vote against members of the corporate governance committee. At a minimum, adequate protections for minority shareholders should include either:

- a regular binding vote for holders of subordinate voting shares on whether the capital structure should be maintained; or
- a sunset clause to eliminate the unequal voting right structure.

Finally, in order to increase transparency and give minority shareholders and the board a better understanding of how the various classes of shares were voted, we strongly encourage companies that maintain a share structure with unequal voting rights to disclose voting results broken down by each class of shares.

On the radar: New SEC rules on universal proxy cards

Starting in September 2022, a new SEC rule regarding contested board elections at U.S. publicly listed companies will see shareholders electing directors from a full list of candidates nominated by both the company and dissident. Historically, proxy contests involved the company and the dissident distributing separate proxy cards for shareholders to vote on. The separate cards would often contain a different mix of nominees, and shareholders wishing to support the election of individual nominees from both the dissident and the company were not able to do so by proxy.

In our view, the new rules provide investors with more effective tools to influence the composition of boards of directors at publicly listed companies. As a result, we expect a higher volume of proxy contests in the coming years, with more individual directors likely to be targets of these contests and potentially more shareholders inclined to vote for a change.

At RBC GAM, we believe it is important to understand what both management and the dissident are proposing, and its implications on governance and performance going forward. We will review dissident shareholder proposals for director nominees on a case-by-case basis to determine which will result in the best governance and performance for the company over both the short and long term.

First quarter engagements

Our investment teams meet with the management teams and boards of investee companies on an ongoing basis, often discussing ESG-related risks and opportunities that are material to our investments. Below, we highlight engagements from the first quarter of 2023.

ESG risks related to mergers & acquisitions

- The RBC Alternatives team met with a high-yield-rated Canadian energy distribution issuer that recently announced a transformative acquisition. The target company distributes lower-carbon and renewable fuels in North America, including compressed natural gas, renewable natural gas, and hydrogen. The management team described how these fuels are both much cheaper and cleaner than diesel, resulting in growing customer demand for these lower-emitting alternatives. The acquisition comes with the additional credit benefits of lowering financial leverage and reducing expected future acquisition activity. The investment team gained more comfort around the transformative acquisition and believes it improves the issuer's overall business risk profile in the long term as customer demand shifts to lower-carbon fuels. Although the investment team is not invested in the issuer presently, the team will continue to monitor the acquisition integration in the coming quarters before the company potentially issues high yield bonds to refinance its shorter-term debt.

- The BlueBay Fixed Income team engaged with a U.S. health care service company to discuss its management and governance related to the company's growth through acquisition. Although the pace of its acquisitions has slowed significantly, the rapid inorganic growth of the company leaves lingering questions around the effective integration of new subsidiaries. Beyond generic corporate policies, the company and its subsidiaries lack robust formal policies, and there is a risk that business standards may not be consistently applied across all employees. The investment team notes that management has so far failed to implement new corporate policies. However, during the engagement, management articulated a clear path to achieving integration and highlighted back- office software platforms across subsidiaries as one example. This engagement improved the team's view of the company's management of these governance-related risks. The investment team will continue to monitor the company's progress.

Gender diversity

- The RBC Emerging Markets Equity team engaged with a Korean financial services company to discuss gender diversity at the board level. At the time of the engagement, the company had one board member that identified as a woman. The team provided its rationale for why gender diversity was important and encouraged the company to increase its representation of women on the board. The company had made progress in other areas of board composition, including high levels of independent board members, and it was aware of the need to continue to increase the representation of women. The team shared the view that the company should have a target number or percentage of women on the board, and set a timeline to reach this target in order to have a measurable goal. Following the engagement, the company announced a commitment to increasing the proportion of independent women directors on the board, with the aim of achieving at least 25% by 2025. The investment team was very pleased to see this development and will continue to engage with the company and monitor its progress.

Decarbonization strategy

- The RBC Global Equity team met with the Lead Independent Director, Head of Sustainability, and members of Investor Relations of a mining and minerals company to discuss the company's decarbonization plan. The company highlighted that its decarbonization strategy is contingent on both the company's fiscal certainty and the grid decarbonization in the countries in which it operates. The company is thus focused on working with local governments on renewable electricity generation. The company also has board-level commitment over the long-term to ensure capital allocation towards more sustainable operating strategies. Although the company does not have any short- or medium-term decarbonization targets, it does have a net-zero by 2050 ambition and will set targets once it has a workable plan. The investment team will continue to engage with the company on its most material sustainability issues, including on setting short- and medium-term net-zero targets.

Green building certification and emission calculations

- The PH&N Fixed Income team engaged with a Canadian Real Estate Investment Trust (REIT) to discuss its green building certification and emissions reduction targets. Like other REITs, one of the company's ESG targets relates to the percentage of the company's portfolio that is "green certified." Its target was set at 30% green certified by 2030, as compared with 24% at the end of 2022, and 11% at the end of 2019. The investment team encouraged the company to re-evaluate its 2030 target based on the substantial progress it was able to make in a single year. In addition, the investment team discussed the company's emissions reduction target and expressed feedback on its related calculation. The company excludes development-related emissions, which are estimated to account for approximately 50% of a building's overall carbon footprint during its life. This feedback regarding the calculation of a REIT's emissions is a recurring topic with other REITs that the investment team engage with as well. The investment team will continue to monitor the company closely, but the team believes it is too early to assess whether any change will occur from the engagement.

ESG-related initiatives

- The PH&N Canadian Equity team engaged with an engineering company to provide feedback on its ESG-related initiatives. The investment team provided the company with a list of what the company was doing well, what it should work on, and what it should spend more time thinking about in the future. Overall, the investment team was impressed with the material improvements in employee morale, retention, and willingness to disclose areas where the company had underperformed and outperformed. The investment team finds that many companies tend to highlight only favourable ESG datapoints, and appreciated the company's transparency. In addition, the investment team also commended the company for disclosing the racial and ethnic diversity breakdown of its employee base in the U.S. The investment team also encouraged the company to implement return on invested capital (ROIC) into its management compensation structure given the importance of capital allocation in growth-by-acquisition business models. While the company has a very strong history of creating shareholder value from mergers and acquisitions, the investment team continues to recommend that ROIC be codified throughout the organization as they have seen several examples where companies that emphasize this metric outperform their competitors. The company now has a better understanding of the investment team's views and stated that it will seriously consider implementing some of the suggestions. The investment team will continue to monitor the company's progress.

Sustainability-linked loans

- The RBC Asian Equity team engaged with a luxury retailer on the implementation of its sustainability strategy, with a focus on its sustainability-linked bonds. The company was one of the first in the luxury sector to agree to a sustainability-linked bond. (As a reminder, these bonds incorporate an ESG-related target for the issuer. The issuer's ability to achieve its target impacts the financing conditions of the bond. For example, the coupon on a bond may decrease if the issuer is able to reduce its water usage by 30% over five years.) These specific bonds are linked to two main metrics: 1) the regeneration and reconversion of production waste, and 2) increasing the share of self-produced energy. For the first target, the company is focusing on reducing production waste in clothing, leather goods, and footwear, while effectively managing its collection and disposal. For the second target, the company is constructing photovoltaic systems in its industrial and corporate sites to increase its usage of renewable energy. Overall, the investment team was pleased with the update and will continue monitoring the company on its progress.

Human capital development

- The RBC European Equity team met with a France-based global service company on its human capital development. Last year, the company faced public scrutiny after the media reported harsh conditions for employees working in one of the company's departments related to social media content moderation. The investment team spent a day in the one of the company's offices to meet with local management and employees as well as a group executive team member. Specific to the department that received media attention, the investment team notes that most employees in this business segment will never be exposed to egregious content, and for those that do it is very uncommon (less than once or twice a month) as artificial intelligence has developed enough to block this content immediately. The company has further resilience checks in this department. For example, employees have counsellors on-site, there are regular check-ins, and a 24/7 employee assistant hotline. Employees in this department also have more mental health time and are paid a premium. After speaking to the employees without management present, it was clear these employees take pride in what they do and enjoy working in this department. After this engagement, the investment team was satisfied with how the company is managing and treating its employees. The investment team will continue to monitor the company on this issue moving forward.

Firm Update – First Quarter 2023

People

- **Darrin Pickett** joined the RBC GAM Global Infrastructure Investments team in January as a senior manager. Darrin will play a leadership role in the launch of the RBC Global Infrastructure Fund LP, including the execution of the fund's investment and asset management strategy, and will work closely with external co-investment partners to execute the fund's mandate. Previously, Darrin was head of infrastructure asset management for a large, global real assets investment manager.
- **Leah Patry**, an institutional portfolio manager at PH&N Institutional, left the firm at the end of March; her responsibilities have been assumed by other members of the team.
- **Irene Fernando** and **Sarah Neilson**, co-managers of the PH&N Canadian Equity Value Fund, will be assuming full responsibility for management of the fund effective July 1, 2023, taking over the remaining sectors from Doug Raymond and Stu Kedwell. Both Irene and Sarah have been members of the RBC North American Equity team for more than a decade, and have had responsibility for security selection within the fund for the past two years. Doug and Stu will remain as co-heads of the team and are retaining their other portfolio manager responsibilities.

Recent Developments

- For the ninth consecutive year, PH&N Institutional was honoured to receive the ***Greenwich Quality Leader Award*** in Canadian Institutional Investment Management Service,[1] which recognizes the top three Canadian asset managers for "delivering superior levels of client service that help institutional investors achieve their investment goals and objectives." We are especially humbled to be the only manager to have received this honour each year since the award's inception.

Thought Leadership

- Following two years of virtual-only seminars, we recently hosted our 21st annual ***PH&N Investment Perspectives*** in person in 11 cities across the country, and included an on-demand virtual option for those unable to attend the live events. This year's seminar included the following presentations: (1) The drivers of inflation over the short, medium, and long term; (2) Revisiting portfolio decisions made in an ultra-low interest rate environment; and (3) The increasing complexity of institutional portfolio governance.

For inquiries about any of our publications, events, or virtual Investment Perspectives presentations, please contact your institutional portfolio manager or email us at institutions@phn.com.

[1] PH&N Institutional was named a 2022 Greenwich Quality Leader in Canadian Institutional Investment Management Service (details available at greenwich.com/institutional-investing/2022-greenwich-leaders-canadian-institutional-investment-management-service). Greenwich Quality Leaders are distinguished for providing the industry's highest-quality service as determined by Canadian institutional investors.

Secure Client Communications

We take your privacy and the confidentiality of your organization's information seriously. In this regard, we'd like to remind you that a secure way to receive quarterly reports and other confidential communications is via the PH&N Institutional Client Portal. If you have not already signed up for secure portal access, please contact your Institutional Portfolio Manager for information and forms.

Any Changes That Could Influence Your PH&N Institutional Portfolio?

Securities regulations require us to collect and update “know your client” information regularly. Please inform us of any changes that may affect the management of your portfolio(s), including changes among your authorized signing authorities or beneficiaries or key contacts, changes to your corporate/plan structure or ownership, revisions to stated investment objectives, or other policy modifications, etc. Thank you for your assistance in this regard.

Corporate Governance – Proxy Voting

Quarterly proxy voting is disclosed for our prospectused funds through the vote disclosure portal on rbcgam.com. The portal can be found here: *https://www.rbcgam.com/en/ca/products/proxy-voting/records*

Transactions

January 1, 2023 to March 31, 2023

Portfolio Manager	TERRI CUGNO	**Account Name**	Presbyterian Church in Canada - Fixed Income
Contact Number	(416) 974-9223	**Account Number**	5938097
		Custodian / Nominee	BANSCO & CO.****
		Custodian Account	7805430019

Your Investment Account Transaction(s)

Trade Date	Fund Name and Transaction Details	Transaction Amount ($)	Unit Price ($)	Units Transacted	New Unit Balance	Market Value ($)
	PH&N Core Plus Bond Fund - O					
	Opening Balance		8.6882		8,267,390.417	71,828,741.42
Jan-23-23	Redemption *Redemption* *Book cost of units redeemed = $14.29*	-14.13	8.9643	-1.576	8,267,388.841	
Feb-23-23	Redemption *Redemption* *Book cost of units redeemed = $14.61*	-14.13	8.7712	-1.611	8,267,387.230	
Mar-22-23	Redemption *Redemption* *Book cost of units redeemed = $14.10*	-14.13	9.0842	-1.555	8,267,385.675	
Mar-30-23	Income Distribution *Payment Type : Reinvested*	672,965.19	8.8835	75,754.510	8,343,140.185	
	Closing Balance		8.8980		8,343,140.185	74,237,261.37

All transaction values are reported in Canadian dollars.

Your funds are registered in the name of your Custodian, as identified under Custodian /Nominee at the top of this statement. RBC Global Asset Management Inc. is acting as agent in these transactions. Listed above, your Portfolio Manager is acting as the dealing representative in these transactions.

Transactions

January 1, 2023 to March 31, 2023

Portfolio Manager	TERRI CUGNO	**Account Name**	Presbyterian Church in Canada - Global Equity
Contact Number	(416) 974-9223	**Account Number**	6707038
		Custodian / Nominee	BANSCO & CO.****
		Custodian Account	7805376618

Your Investment Account Transaction(s)

Trade Date	Fund Name and Transaction Details	Transaction Amount ($)	Unit Price ($)	Units Transacted	New Unit Balance	Market Value ($)
	RBC Global Equity Focus Fund (CAD) - O					
	Opening Balance		22.3460		2,191,542.641	48,972,211.86
Jan-23-23	Redemption *Redemption* *Book cost of units redeemed = $11.08*	-14.13	23.1895	-0.609	2,191,542.032	
Feb-23-23	Redemption *Redemption* *Book cost of units redeemed = $11.15*	-14.13	23.0636	-0.613	2,191,541.419	
Mar-22-23	Redemption *Redemption* *Book cost of units redeemed = $11.37*	-14.13	22.6052	-0.625	2,191,540.794	
Mar-27-23	Redemption *Redemption* *Book cost of units redeemed = $1,127,664.27*	-1,400,000.00	22.5775	-62,008.637	2,129,532.157	
	Closing Balance		22.9658		2,129,532.157	48,906,409.61

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Statement of Account

January 1, 2023 to March 31, 2023

Portfolio Manager	TERRI CUGNO	**Account Name**	Presbyterian Church in Canada - Fixed Income
Contact Number	(416) 974-9223	**Account Number**	5938097
		Custodian / Nominee	BANSCO & CO.****
		Custodian Account	7805430019

Portfolio Summary by Fund

as at March 31, 2023

Fund	Unit Balance	Unit Price ($)	Book Cost ($)*	Unrealized Capital Gain or Loss ($)	Market Value ($)	Market Value (%)**
PH&N Core Plus Bond Fund - O	8,343,140.185	8.8980	75,643,080.49	-1,405,819.12	74,237,261.37	100.0
Total			**75,643,080.49**	**-1,405,819.12**	**74,237,261.37**	**100.0**

All figures are reported in Canadian dollars.

*Book cost (formerly called Adjusted Cost Base) values are estimates only. Book cost is the total amount paid to purchase an investment, adjusted for reinvested distributions, return of capital, corporate reorganizations or sales.

**Total may not add due to rounding.

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PH&N Institutional is the institutional business division of RBC Global Asset Management Inc., the manager of various investment funds, including the RBC Funds and the PH&N Funds, and an indirect wholly-owned subsidiary of Royal Bank of Canada.

Statement of Account

January 1, 2023 to March 31, 2023

Portfolio Manager	TERRI CUGNO	**Account Name**	Presbyterian Church in Canada - Global Equity
Contact Number	(416) 974-9223	**Account Number**	6707038
		Custodian / Nominee	BANSCO & CO.****
		Custodian Account	7805376618

Portfolio Summary by Fund

as at March 31, 2023

Fund	Unit Balance	Unit Price ($)	Book Cost ($)*	Unrealized Capital Gain or Loss ($)	Market Value ($)	Market Value (%)**
RBC Global Equity Focus Fund (CAD) - O	2,129,532.157	22.9658	38,726,819.99	10,179,589.6	48,906,409.61	100.0
Total			**38,726,819.99**	**10,179,589.6**	**48,906,409.61**	**100.0**

All figures are reported in Canadian dollars.

*Book cost (formerly called Adjusted Cost Base) values are estimates only. Book cost is the total amount paid to purchase an investment, adjusted for reinvested distributions, return of capital, corporate reorganizations or sales.

**Total may not add due to rounding.

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Portfolio Value

January 1, 2023 to March 31, 2023

Portfolio Manager Terri Cugno **Group Name** Presbyterian Church in Canada - Consolidated
Contact Number (416)-974-9223

Change in Portfolio Value

	Total (C$)
Portfolio Value January 1, 2023 (Opening Value)	**120,800,953.28**
Deposits/Contributions/Purchases*	-
Withdrawals/Redemptions/Sales*	1,400,084.78
Net Contributions	-1,400,084.78
Dividend/Interest/Capital Gains**	672,965.19
Increase or Decrease in Portfolio Value Due to Market Valuation	3,069,837.29
Portfolio Value March 31, 2023 (Closing Value)	**123,143,670.98**

* Includes purchase and sales of assets within portfolio.
** Includes reinvested dividend, capital gain and interest distributions.

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