28263 (04/2014)

Investment UPDATE

Spring Edition | March 2014

In this issue

A successful investment journey starts with the right coordinates

After the cold and dark months of winter, spring has finally arrived! The new season brings with it hints of warm and sunny days ahead. It's also the time of year when many of us turn our minds to summer vacation plans and consider our desired activities and destinations in the months ahead.

MAKING PLANS: THE IMPORTANCE OF ADVICE

There's an old saying: "Failing to plan is planning to fail." Studies consistently show that obtaining and following good advice – especially when it comes to achieving financial and investment goals – can help investors build wealth faster and more efficiently.

ESTABLISHING YOUR COORDINATES: YOUR INVESTMENT JOURNEY GPS

Your RBC® advisor can help you achieve your savings goals by:

- Establishing where you want to go
- Determining how and when you need to get there
- Building the right investment plan to support your journey

Working with an RBC advisor to establish your investment destination coordinates and establishing your investment course or plan is not unlike using a global positioning system (GPS) – plug in your coordinates and let them be your guide.

PLANNING PAYS

On average, investors who work with financial advisors versus those who don't are:

- More than twice as likely to have an active savings plan[1]
- Likely to accumulate twice the financial assets[2]
- Significantly more likely to have an investment portfolio that's properly tailored to help them reach their savings goals[2]
- More confident in their retirement outlook[3]
- More likely to retire comfortably[1]

[1] *The Value of Advice Report, 2012 (IFIC)* – Note: Results are based on working with an advisor for 10 years or more.

[2] Ipsos Reid, *Value of Financial Advice*, prepared for IFIC, October 4, 2011

[3] *New Evidence on the Value of Financial Advice*, Dr. Jon Cockerline, Ph.D./IFIC

BENDS AND TURNS IN THE ROAD: SOMETIMES THINGS CHANGE

Change in plans? Bad road conditions? Stuck in traffic? Life is full of changes and sometimes it throws us curves that we can't anticipate. Even if life deals you a flat tire or an unexpected obstacle, your RBC advisor can help you reassess your needs and guide you to a new route to get you where you want to go.

To help ensure you're still on the right route to meeting your goals, it's important to meet periodically with your RBC advisor to review your investment plan.

WHAT ARE YOUR GPS COORDINATES?

Just like planning out any journey, achieving your savings goals includes thinking about where you want to go, how long you have to get there and what your travel budget is.

Here are some important questions and insights you may want to consider as you establish your savings goals and investment plan:

Not sure where to start? Your RBC advisor is ready and able to help. Let them be your GPS, helping you establish your goals and guide you to your destination.

The TFSA: Another route to investing

Saving is an important lifelong discipline. Today, there are more options than ever to help you invest for life's important goals. In 2009, the introduction of the Tax-Free Savings Account (TFSA) offered investors another viable option. Today, the contribution room available to most Canadians is $31,000,* making the TFSA an investing vehicle in its own right.

Here are a few instances where a TFSA can be another important investing vehicle:

- **Do you value flexibility?** While a TFSA contribution is not tax deductible like an RRSP contribution, the income you earn inside of it isn't taxed and you can withdraw your money at any time typically without incurring penalties.† This makes a TFSA very flexible and suitable for long-term goals (supplementing your retirement income) and short-term goals (vacation, home renovations) alike.
- **Are you nearing retirement?** Individuals over the age of 71 can still open and contribute to a TFSA. This is not the case with an RRSP, which requires mandatory withdrawals by age 72 that are taxed as income. For Canadians receiving income-based benefits like CPP or Old Age Security (OAS), making a withdrawal from their TFSA will not impact their eligibility for these benefits.
- **Do you want more ways to save?** A TFSA can be an important complementary investment vehicle to an RRSP. For example, a young saver might invest in an RRSP and apply their tax refund toward a TFSA to amplify their investments.

* Maximum amount you can contribute assuming full eligibility and contributions made during the year, including the replacement or re-contribution of withdrawals made from a TFSA.

† Penalties can be incurred depending on the type of investment held within the account.

TFSA and RRSP Quick Facts

TFSA	RRSP
▪ Tax-free compounding of returns ▪ Contribution limit of $5,500 per year‡ ▪ Carry-forward of unused contributions plus previous year's withdrawals ▪ No age requirement for deregistering	▪ Tax-deferred compounding of returns ▪ 18% of previous year's earned income up to prescribed limits ▪ Carry-forward of unused contributions ▪ Must deregister by the end of the year the investor turns 71

‡ Indexed to Consumer Price Index (CPI) in $500 increments.

Need help deciding between a TFSA and an RRSP? Your RBC advisor can help.

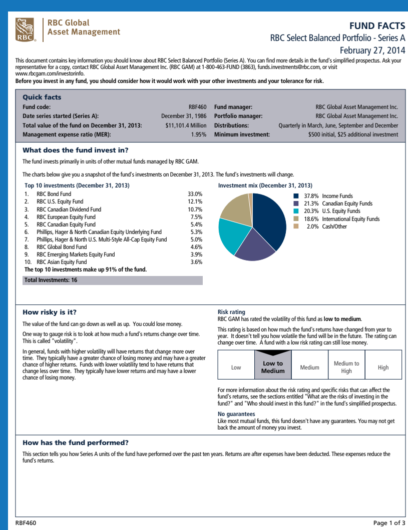
Upcoming changes to the investment information you receive

Beginning in mid-June 2014, when you purchase a mutual fund from RBC, you will receive with your purchase confirmation a Fund Facts sheet that provides important information about the fund in a short, easy-to-read format.

Fund Facts will replace the simplified prospectus that's currently provided. This new sheet outlines detailed information about investing in the fund, including:

- Key facts
- Investment snapshot
- Risk rating (from low to high)
- Recent and historical performance
- Costs associated with buying, owning and redeeming the fund

The simplified prospectus will continue to be available. To view it online, visit rbcgam.com/reports. Your RBC advisor is available to answer any questions you might have about Fund Facts.



RBC Global Asset Management

FUND FACTS
RBC Select Balanced Portfolio - Series A
February 27, 2014

This document contains key information you should know about RBC Select Balanced Portfolio (Series A). You can find more details in the fund's simplified prospectus. Ask your representative for a copy, contact RBC Global Asset Management Inc. (RBC GAM) at 1-800-463-FUND (3863), funds.investments@rbc.com, or visit www.rbcgam.com/investorinfo.
Before you invest in any fund, you should consider how it would work with your other investments and your tolerance for risk.

Quick facts

Fund code:	RBF460	**Fund manager:**	RBC Global Asset Management Inc.
Date series started (Series A):	December 31, 1986	**Portfolio manager:**	RBC Global Asset Management Inc.
Total value of the fund on December 31, 2013:	$11,101.4 Million	**Distributions:**	Quarterly in March, June, September and December
Management expense ratio (MER):	1.95%	**Minimum investment:**	$500 initial, $25 additional investment

What does the fund invest in?

The fund invests primarily in units of other mutual funds managed by RBC GAM.

The charts below give you a snapshot of the fund's investments on December 31, 2013. The fund's investments will change.

Top 10 investments (December 31, 2013)

1.	RBC Bond Fund	33.0%
2.	RBC U.S. Equity Fund	12.1%
3.	RBC Canadian Dividend Fund	10.7%
4.	RBC European Equity Fund	7.5%
5.	RBC Canadian Equity Fund	5.4%
6.	Phillips, Hager & North Canadian Equity Underlying Fund	5.3%
7.	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Fund	5.0%
8.	RBC Global Bond Fund	4.6%
9.	RBC Emerging Markets Equity Fund	3.9%
10.	RBC Asian Equity Fund	3.6%

The top 10 investments make up 91% of the fund.

Total Investments: 16

Investment mix (December 31, 2013)

37.8% Income Funds
21.3% Canadian Equity Funds
20.3% U.S. Equity Funds
18.6% International Equity Funds
2.0% Cash/Other

How risky is it?

The value of the fund can go down as well as up. You could lose money.

One way to gauge risk is to look at how much a fund's returns change over time. This is called "volatility".

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

Risk rating
RBC GAM has rated the volatility of this fund as **low to medium**.

This rating is based on how much the fund's returns have changed from year to year. It doesn't tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.

Low	**Low to Medium**	Medium	Medium to High	High

For more information about the risk rating and specific risks that can affect the fund's returns, see the sections entitled "What are the risks of investing in the fund?" and "Who should invest in this fund?" in the fund's simplified prospectus.

No guarantees
Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest.

How has the fund performed?

This section tells you how Series A units of the fund have performed over the past ten years. Returns are after expenses have been deducted. These expenses reduce the fund's returns.

RBF460 Page 1 of 3

ONE-MINUTE MARKET UPDATE

For a summary of the Spring 2014 Investment Outlook, please visit rbcgam.com/investment-outlook.

ECONOMY

- For several years, we have watched the interlocking conditions for economic normalization gradually click into place.
- This normalization thesis has recently been challenged by a number of new threats, but we don't believe that these represent critical risks to the cycle: the recent stint of bad economic data is mainly due to poor weather, inflation is unlikely to remain this low for long and political unrest rarely bleeds into the global economy or markets.
- Global growth should improve in 2014 and be slightly stronger again in 2015, with the heavy lifting coming disproportionately from rejuvenated developed nations.

EQUITY MARKETS

- Equity market valuations have risen materially as investors moved out of a post-crisis mindset into one that reflects the progressive normalization of the economy.
- With the global recovery gaining traction, stronger revenues and corporate profitability could contribute to the next leg of the rally.
- While stocks have outperformed bonds over the past few years, we believe that equities still offer attractive relative return potential.

FIXED INCOME MARKETS

- The Fed's tapering plans will continue, with bond-buying likely wrapped up in the fall of this year.
- After a significant increase in 2013, bond yields in most major bond markets are approaching equilibrium. Yields should continue to rise over the coming years as the economy rebounds, risk appetite continues to improve and the Fed tapers its bond purchases.
- We expect that rising bond yields will eat into coupon income and lead to low returns for sovereign bondholders.

CONNECT WITH US

Call us toll-free at 1-800-463-3863 or visit us at **rbcroyalbank.com/investing**. To find a branch near you, go to **maps.rbcroyalbank.com**

Like us at **facebook.com/rbcroyalbank**

Follow us at **twitter.com/rbc_canada**

Financial planning services and investment advice are provided by Royal Mutual Funds Inc. (RMFI). RMFI, RBC Global Asset Management Inc. (RBC GAM), Royal Bank of Canada, Royal Trust Corporation of Canada and The Royal Trust Company are separate corporate entities which are affiliated. RMFI is licensed as a financial services firm in the province of Quebec.

Investment and economic outlook information contained in this report has been compiled by RBC GAM from various sources and reflects our view on March 12, 2014. Information obtained from third parties is believed to be reliable, but no representation or warranty, express or implied, is made by RBC GAM, its affiliates or any other person as to its accuracy, completeness or correctness. RBC GAM and its affiliates assume no responsibility for any errors or omissions.

All opinions and estimates contained in this report constitute our judgment as of the indicated date of the information, are subject to change without notice and are provided in good faith but without legal responsibility. To the full extent permitted by law, neither RBC GAM nor any of its affiliates nor any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of the outlook information contained herein. Interest rates and market conditions are subject to change.

The strategies, advice and technical content in this publication are provided for the general guidance only and benefit of our clients. This publication is not intended to provide specific financial, investment, tax, legal, accounting or other advice for you, and should not be relied upon in that regard. Readers should consult their own professional advisor when planning to implement a strategy to ensure that individual circumstances have been considered properly and it is based on the latest available information.

RBC Funds are offered by RBC GAM and sold by Royal Mutual Funds Inc. Please consult your advisor and read the prospectus or Fund Facts document before investing. There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Mutual fund securities are not guaranteed or covered by the Canada Deposit Insurance Corporation or by another government deposit insurer. For funds other than money market funds, unit values change frequently. For money market funds, there can be no assurances that a fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in a fund will be returned to you.

FSC FPO

[1] RBC Online Banking is provided by Royal Bank of Canada. ® / ™ Trademark(s) of Royal Bank of Canada. RBC and Royal Bank are registered trademarks of Royal Bank of Canada.