

Investment UPDATE

Increasing certainty in an uncertain world

In today's uncertain investment climate many investors have chosen to move into "safe", short-term investments (bank accounts, GICs, money market funds). While safe investments may protect your money in the short-term, history tells us that very few investors are able to achieve their long-term goals without some exposure to equities.

Dollars left uninvested for even short periods while waiting for the economy to recover can lead to missed opportunities. So how do you achieve a happy medium between security and the growth needed to realize your financial dreams and goals?

STRIKE A BALANCE BETWEEN GROWTH POTENTIAL AND PEACE OF MIND

The good news is that strategies exist that can both shield you from the full impact of today's markets, and still keep you on track to meet your long-term goals. Here are four strategies designed to help you sleep at night and stay on track to meet your investment goals:

1. Your asset mix determines the volatility of your returns

The most straightforward way to manage the risk/return trade-off is through your asset allocation: the percentage of your portfolio held in equities, bonds and cash. Reducing your allocation to equities (and increasing bonds and cash as a result) reduces your exposure to market ups and downs, but your portfolio will grow at a slower rate, increasing the possibility that you might not reach your investment goals, or that it will take you longer to get there. Your advisor can help to determine the best asset mix to meet your personal needs and long-term goals.

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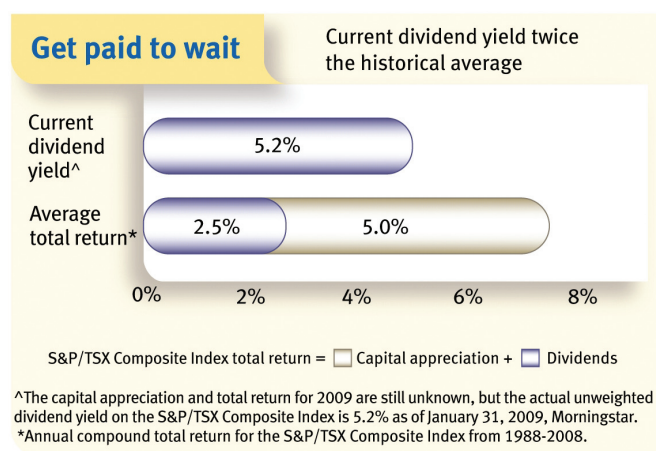


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2. Get paid to wait — The power of dividends

Dividend income helps to offset the impact of market declines, and also boosts portfolio returns when markets are rising. With today's low stock prices, Canadian market dividend yields are now more than double their historical average. What's more, dividend-paying companies have historically higher returns than their non-dividend paying peers. Whether you are a conservative or growth investor, recognizing these patterns can help you to make better investment decisions. While no one knows exactly when markets will recover, the current high dividend yields and the income they represent let you "get paid to wait" until stock prices recover. Your advisor can recommend mutual fund solutions that include dividend paying stocks.



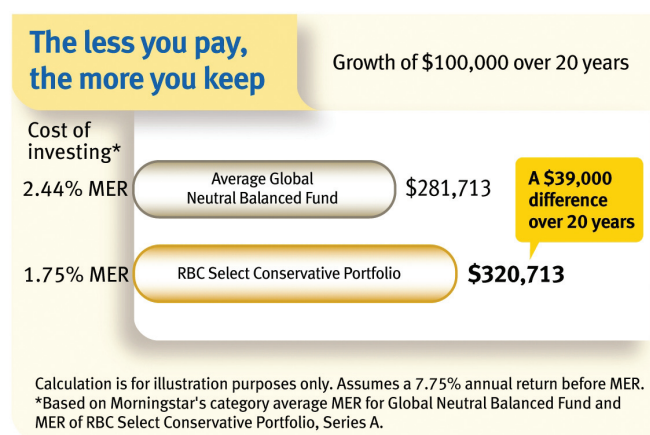
3. Not ready to dive? Try dipping your toe

Does the idea of jumping back into equity markets keep you up at night? Consider easing yourself back in with regular investing. Investing small amounts at regular intervals is a strategy known as dollar cost averaging, and is one of the most effective ways to move toward realizing your dreams and goals. In down markets, you buy more mutual fund units

when equities are "on sale". What's more, dollar cost averaging smoothes out volatility and can reduce the anxiety associated with investing. Ask your advisor how a regular investment plan or Auto-Switch™ can benefit you.

4. Watch your pennies and the dollars will take care of themselves

The less you pay, the more you keep. In today's low-return environment, higher fees will have a particularly material impact on conservative portfolios. Over time, fee savings can have a significant and positive impact on the growth of your portfolio. Take comfort knowing that 100% of RBC Funds management expense ratios lie below the industry median.



Understand that the above strategies are not for everyone. In most cases, the best strategy for long-term investors is to stay with the recommended solution designed to meet your long-term goals; however, for investors who seek more peace of mind during today's economic times, these are solid investment strategies to consider.

For more information about these strategies, please visit rbcam.com or contact your RBC® advisor.

Introducing two **NEW** conservative investment options

RBC SELECT VERY CONSERVATIVE PORTFOLIO

We are pleased to introduce the newest member of the RBC Select Portfolio family: the RBC Select Very Conservative Portfolio. The RBC Select Very Conservative Portfolio has the most conservative asset mix within the suite of RBC Select Portfolios, with only 20% equity exposure and 80% cash and fixed income. It is also the first RBC Select Portfolio to include Phillips, Hager & North (PH&N) funds in its holdings, bringing together two of Canada's leading fund families in a single, actively managed investment.

3-YEAR TERM FOR RBC FUND-LINKED GICS

RBC Fund-Linked GICs offer the security of a GIC and some of the higher return potential associated with equity mutual funds. They are a good solution for investors who need some growth in their portfolio, but also need the peace of mind that comes from knowing that their principal is 100% protected.

For more information about how these solutions can fit into your investment portfolio, speak to your RBC advisor or call 1-800-463-3863.

The one-minute market update

EQUITY MARKETS

- › Valuations remain near their most attractive levels in a generation.
- › The Fed is now employing nontraditional tools to bolster growth.
- › Sustained recovery for the economy won't appear before the credit channel begins to function freely, lending accelerates and confidence is restored. Earnings growth also remains a challenge for equities, but improving conditions — as they appear — will open up scope for significant gains from stocks over the quarters ahead.

FIXED INCOME MARKETS

- › Bonds are pricing in the probability of a protracted, deep recession, feeding off growth worries and severe risk aversion.
- › As a more balanced view of economic prospects and risk emerges, yields are likely to climb, perhaps sharply. Near-term though, deep recession and quantitative easing are enough to hold yields below their equilibrium levels.
- › Significant opportunity exists in the corporate credit market as the economy and earnings ultimately recover, and spreads normalize from historically wide levels.

ECONOMY

- › North American economy in severe recession, with no recovery prior to late 2009/early 2010.
- › Massive responses by governments are still being offset by the credit crunch and severe risk aversion.
- › Progress is evident with housing moving back into equilibrium with incomes, but the way ahead remains murky.

➤ For a summary of the Spring 2009 Market Outlook, please visit our website at rbcam.com/news/investment-market-outlook.



Keep track of your investments online or on the phone

As a reminder, all clients can access their investment account information online.

- › If you have an RBC Royal Bank® deposit account and Client Card, you can enrol online at www.rbcroyalbank.com/online.
- › **NEW!** If you do not have an RBC Royal Bank account, simply call 1-800 ROYAL® 5-5 (1-800-769-2555) or visit your local RBC branch to get access today.

You also have investment information available at your fingertips using the telephone. Simply dial 1-800-463-FUND (1-800-463-3863) and speak to an RBC investment specialist.

Put your money to work with Auto-Switch

If recent volatility concerns have caused you to park your money in short-term investments such as money market funds, it might be time to consider the opportunity presented in these down markets by using Auto-Switch from RBC.

Auto-Switch allows you to take advantage of dollar cost averaging by gradually moving set amounts of your investments from RBC Money Market Funds into as many as five long-term RBC Funds. You can choose your desired switch frequency including biweekly, monthly, quarterly, semi-annually and annually. For more information on Auto-Switch, visit your local RBC Royal Bank branch or call 1-800-463-3863.

Introducing the Registered Disability Savings Plan

For the long-term well-being of you and your loved ones

The Registered Disability Savings Plan (RDSP) is a savings plan designed by the federal government specifically for Canadians with severe and prolonged disabilities. This new tax-deferred savings vehicle, now available at RBC®, can greatly assist in helping those with a disability prepare for their long-term financial security.

RDSP contributions are not tax-deductible but grow tax-deferred within the plan. Contributions may be eligible for federal government matching grants up to \$3,500 annually (maximum \$70,000) and the plan may be eligible for government bond amounts up to \$1,000 annually (maximum \$20,000), depending on family income.

In order to open an RDSP, you must be:

- › A person with a disability who is the age of majority and has the legal capacity to manage his or her finances, or
- › The parent of a person with a disability who has not yet attained the age of majority, or
- › A guardian or other representative who is legally authorized to act on behalf of a person with a disability

When opening an RDSP, a beneficiary must:

- › Be a resident of Canada and under age 60 when contributions are made
- › Have a Social Insurance Number (SIN)
- › Be eligible for the Disability Tax Credit

Highlights of the RDSP:

- › \$200,000 lifetime contribution limit with no annual limits
- › Contributions can be made up until the end of the year the beneficiary turns 59
- › Contributions permitted by family and friends, with the written consent of the plan holder
- › Upon withdrawal, income, grant and bond amounts within the plan are taxed to the beneficiary

JOINING FORCES WITH PLAN TO EDUCATE AND ADVISE

RBC has joined forces with Planned Lifetime Advocacy Network (PLAN), the non-profit organization that led the advocacy for the creation of the RDSP, to help educate and offer advice to Canadians. As its preferred national RDSP provider, RBC is working closely with PLAN to assist Canadians with disabilities and their families.



INTEGRATING THE RDSP INTO YOUR FINANCIAL PLAN

By choosing to open an RDSP at RBC, you will have access to a wide variety of investment options, including RBC Funds, RBC GICs and RBC Savings Deposits. There will be no annual administration or withdrawal fees. You will also have the opportunity to make regular, pre-authorized contributions through RDSP-Matic™. The money in an RDSP, which can form an important part of your overall financial plan, can be used for any purpose, as long as it is for the benefit of the plan's beneficiary.

To learn more about this important new savings vehicle, please contact your advisor, call 1-800-463-3863 or visit www.rbc.com/rdsp.

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