

R B C I N S T I T U T I O N A L C A S H F U N D S

# 2011 Annual Report



RBC Global  
Asset Management





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## Management Report of Fund Performance

RBC Institutional Government-Plus Cash Fund	2
RBC Institutional Cash Fund	9
RBC Institutional US\$ Cash Fund	16
RBC Institutional Long Cash Fund	23

## Financial Statements

<b>MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING</b>	29
<b>INDEPENDENT AUDITOR'S REPORT</b>	30
RBC Institutional Government-Plus Cash Fund	31
RBC Institutional Cash Fund	36
RBC Institutional US\$ Cash Fund	41
RBC Institutional Long Cash Fund	46
<b>GENERIC NOTES TO FINANCIAL STATEMENTS</b>	51
<b>THE ROLE OF THE BOARD OF GOVERNORS</b>	55



MONEY MARKET FUND

**RBC INSTITUTIONAL  
GOVERNMENT-PLUS CASH FUND**

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*December 31, 2011*

**Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 6, 2012.

**A Note on Forward-looking Statements**

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

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*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-463-FUND (3863), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/reports](http://www.rbcgam.com/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The Fund seeks to provide investors with a high level of interest income while focusing on preserving capital and maintaining liquidity. To achieve the Fund's investment objectives, we invest primarily in a well-diversified portfolio of Canadian dollar money market securities issued or guaranteed by Canadian federal and provincial government entities and their fully guaranteed agencies as well as corporate notes issued by the six largest Canadian Schedule 1 chartered banks as measured by market capitalization (excluding RBC). At the time of purchase, securities are restricted to a maximum term to maturity of 365 days and the portfolio's weighted average term to maturity will not exceed 60 days.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for particular investors remains as discussed in the offering documents of the Fund.

### Results of Operations

Investment performance is permitted to be included for periods when a fund was a reporting issuer. The Fund's inception was in January 2010, but it did not become a reporting issuer until June 2011. However, the Fund was granted exemptive relief which allows the Fund to disclose performance data since its inception in January 2010.

The Fund's net asset value decreased to \$194.7 million as of December 31, 2011, from \$201.5 million at the end of 2010. Of this change, \$8.6 million was due to net outflows, offset by \$1.8 million investment returns.

As of December 31, 2011, the current yields were 0.8% for Series S units, 0.9% for Series I units, 1.0% for Series O units and 0.9% for Series J units. During the one-year period ending December 31, 2011, the Fund's Series I units returned 0.94%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

The past year was the third year of the "zero interest rate" environment that followed the financial crisis of 2008. Central banks of most of the developed world, including the Bank of Canada, have maintained extremely low target lending rates in their efforts to stimulate sluggish economies. This has led to a very challenging environment for money market investors to make significant returns.

The Fund was invested very close to its guideline of 60% Government securities and 40% banker's acceptances for most of

the year. The Government securities were overwhelmingly provincial Treasury bills, which paid a premium over federal Treasury bills and which increased their premium over federal Treasury bills as the year went on. It is important to note that despite the challenging, low-yielding environment, the Fund did not take on additional risk by investing in lower-quality, higher-yielding instruments. Capital preservation remains the Fund's primary objective.

The Bank of Canada kept its target overnight lending rate at 1.0% for the entire year. In the early part of the year, the market was expecting the Bank to raise rates in the latter part of the year, but this did not happen. The 0-365 day part of the yield curve was essentially flat for the last half of the year, reducing our ability to add value via strategic allocations along the curve. Despite this, our primary focus was diligent security and issuer selection.

### Recent Developments

The global economy will likely experience slow growth over the next several quarters. Setting inflation targets is the primary objective of most central banks, including the Bank of Canada, and inflationary price increases have been well contained in the past year.

In Canada and the U.S., the core inflation rate is approximately 2%, which is in the middle of the target range set by the central banks. Central banks, including the Bank of Canada, appear to have little reason to implement interest rate increases in this low growth, low inflation environment. Furthermore, the U.S. Federal Reserve has indicated its intention to keep its "zero interest rate" policy in place until at least the middle of 2013.

It appears that the low-interest-rate environment will likely persist for the foreseeable future. The Fund will continue to focus on investments in high-quality commercial paper, banker's acceptances, and asset-backed commercial paper, as well as continuing to maintain its goal of capital preservation.

### Related-Party Transactions

#### *Manager, Portfolio Advisor, Distributor and Registrar*

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, principal portfolio advisor and registrar of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM, as registrar, also keeps the records of who owns the units of the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.



***Trustee and Custodian***

RBC Dexia Investor Services Trust ("RBC Dexia") is the trustee and custodian of the Fund. The fees paid to RBC Dexia are paid by RBC GAM and not the Fund.

RBC Dexia holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

***Other Related-Party Transactions***

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

***Inter-Fund Trading***

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the BoG of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made in the best interests of the Fund and free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements. "Net Assets" are calculated in accordance with Canadian generally accepted accounting principles, which are used to prepare the financial statements (see table below). "Net Asset Value" is derived from the valuation method disclosed in the RBC Institutional Cash Funds' Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>					Net Assets End of Year
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
<b>Series S</b>												
<b>Dec. 31, 2011<sup>4</sup></b>	<b>10.00<sup>†</sup></b>	<b>0.09</b>	<b>(0.02)</b>	–	–	<b>0.07</b>	<b>(0.07)</b>	–	–	–	<b>(0.07)</b>	<b>10.00</b>
<b>Series I</b>												
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>0.10</b>	<b>(0.01)</b>	–	–	<b>0.09</b>	<b>(0.09)</b>	–	–	–	<b>(0.09)</b>	<b>10.00</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.05	(0.01)	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
<b>Series J</b>												
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>0.11</b>	<b>(0.01)</b>	–	–	<b>0.10</b>	<b>(0.10)</b>	–	–	–	<b>(0.10)</b>	<b>10.00</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.04	–	–	–	0.04	(0.04)	–	–	–	(0.04)	10.00
<b>Series O</b>												
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>0.10</b>	–	–	–	<b>0.10</b>	<b>(0.10)</b>	–	–	–	<b>(0.10)</b>	<b>10.00</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.05	–	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are reinvested in additional units of the Fund or paid in cash.

<sup>3</sup> From January 2010.

<sup>4</sup> From March 2011. Series S is offered to certain qualified investors in reliance on exemptions from prospectus requirements under applicable securities laws.

<sup>†</sup> Initial offering net asset value per unit.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Portfolio Turnover Rate (%) <sup>2</sup>	Trading Expense Ratio (%) <sup>3</sup>
<b>Series S</b>							
<b>Dec. 31, 2011<sup>5</sup></b>	<b>10.00</b>	<b>20 010</b>	<b>2 001</b>	<b>0.19</b>	<b>0.19</b>	<b>n/a</b>	<b>—</b>
<b>Series I</b>							
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>996</b>	<b>100</b>	<b>0.14</b>	<b>0.14</b>	<b>n/a</b>	<b>—</b>
Dec. 31, 2010 <sup>4</sup>	10.00	900	90	0.15	0.15	n/a	—
<b>Series J</b>							
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>12</b>	<b>1</b>	<b>0.11</b>	<b>0.11</b>	<b>n/a</b>	<b>—</b>
Dec. 31, 2010 <sup>4</sup>	10.00	42	4	0.11	0.11	n/a	—
<b>Series O</b>							
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>173 749</b>	<b>17 375</b>	<b>0.02</b>	<b>0.02</b>	<b>n/a</b>	<b>—</b>
Dec. 31, 2010 <sup>4</sup>	10.00	200 622	20 062	0.02	0.02	n/a	—

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

<sup>3</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>4</sup> From January 2010.

<sup>5</sup> From March 2011.





**FINANCIAL HIGHLIGHTS (cont.)**

**Management Fees**

RBC GAM is the manager, portfolio advisor and registrar of the Fund. Management fees paid by each series of the Fund are calculated at the applicable annual percentages, before HST, of the daily value of the net assets of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series S	up to 0.16%	31%	69%
Series I	up to 0.11%	–	100%
Series J	up to 0.08%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

\* Includes all costs related to management, investment advisory services, general administration and profit.

**PAST PERFORMANCE**

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, or optional charges, or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

The Fund was not a reporting issuer from January 26, 2010 until June 6, 2011. The expenses of the Fund would have been higher during the period when it was not a reporting issuer had the Fund been subject to the additional regulatory requirements applicable to a reporting issuer.

**Year-by-Year Returns (%)**

The bar chart indicates the Fund's performance for each of the years shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



<sup>1</sup> From January 2010.



**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at December 31, 2011*

**Investment Mix**

	% of Net Asset Value
Government Notes	56.4
Corporate Notes	39.9
Government Bonds	3.7

**Top 25 Holdings**

	% of Net Asset Value
Province of Quebec 0.949% Mar 16 12	7.7
Province of New Brunswick 1.001% Jan 5 12	7.5
Province of Ontario 1.000% May 30 12	7.2
Province of Ontario 0.970% Jan 11 12	6.8
Province of Ontario 0.969% Feb 1 12	5.2
National Bank of Canada 1.110% Jan 30 12	4.5
Province of New Brunswick 0.968% Jan 9 12	4.0
Canadian Imperial Bank of Commerce 1.098% Jan 4 12	3.8
Canada Housing Trust No. 1 4.000% Jun 15 12	3.6
Province of British Columbia 0.980% Jan 23 12	3.3
Bank of Montreal 1.067% Jan 31 12	3.3
National Bank of Canada 1.110% Jan 17 12	3.1
Financement-Quebec 0.991% Feb 13 12	2.8
Province of Ontario 0.989% Jan 18 12	2.8
Financement-Quebec 1.011% May 15 12	2.8
Province of British Columbia 1.001% Mar 5 12	2.6
Bank of Montreal 1.108% Jan 23 12	2.5
Bank of Nova Scotia 1.140% Jan 3 12	2.3
Toronto-Dominion Bank 1.074% Feb 3 12	2.2
Bank of Nova Scotia 1.151% Feb 28 12	2.0
Province of Quebec 0.954% Jan 5 12	1.8
Bank of Nova Scotia 1.150% Mar 28 12	1.8
Province of Ontario 0.950% Jan 4 12	1.8
Canadian Imperial Bank of Commerce 1.061% Jan 23 12	1.7
Bank of Montreal 1.090% Feb 2 12	1.5
<b>Top 25 Holdings</b>	<b>88.6</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at [www.rbcgam.com/reports](http://www.rbcgam.com/reports).



MONEY MARKET FUND

## RBC INSTITUTIONAL CASH FUND

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December 31, 2011

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 6, 2012.

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As of December 31, 2011, the current yields were 1.0% for Series S units, 1.0% for Series I units, 1.1% for Series O units and 1.0% for Series J units. During the one-year period ending December 31, 2011, the Fund's Series I units returned 1.03%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

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The Fund was invested almost entirely in high-quality commercial paper, banker's acceptances and bank-sponsored asset-backed commercial paper for most of the year. These instruments all yielded more than Government of Canada Treasury bills during the past year.

It is important to note that despite the challenging, low-yielding environment, the Fund did not take on additional risk by investing in lower-quality, higher-yielding instruments. Capital preservation remains the Fund's primary objective.

The Bank of Canada kept its target overnight lending rate at 1.0% for the entire year. In the early part of the year, the market was expecting the Bank to raise rates in the latter part of the year, but this did not happen. The 0-365 day part of the yield curve was essentially flat for the last half of the year, reducing our ability to add value via strategic allocations along the curve. Despite this, our primary focus was diligent security and issuer selection.

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***Inter-Fund Trading***

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

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### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>					Net Assets End of Year
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
<b>Series S</b>												
<b>Dec. 31, 2011<sup>4</sup></b>	<b>10.00<sup>†</sup></b>	<b>0.10</b>	<b>(0.02)</b>	–	–	<b>0.08</b>	<b>(0.08)</b>	–	–	–	<b>(0.08)</b>	<b>10.00</b>
<b>Series I</b>												
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>0.11</b>	<b>(0.01)</b>	–	–	<b>0.10</b>	<b>(0.10)</b>	–	–	–	<b>(0.10)</b>	<b>10.00</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.06	(0.01)	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00
<b>Series J</b>												
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>0.12</b>	<b>(0.01)</b>	–	–	<b>0.11</b>	<b>(0.11)</b>	–	–	–	<b>(0.11)</b>	<b>10.00</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.05	–	–	–	0.05	(0.05)	–	–	–	(0.05)	10.00
<b>Series O</b>												
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>0.11</b>	–	–	–	<b>0.11</b>	<b>(0.11)</b>	–	–	–	<b>(0.11)</b>	<b>10.00</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.07	–	–	–	0.07	(0.07)	–	–	–	(0.07)	10.00

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are reinvested in additional units of the Fund or paid in cash.

<sup>3</sup> From January 2010.

<sup>4</sup> From March 2011. Series S is offered to certain qualified investors in reliance on exemptions from prospectus requirements under applicable securities laws.

<sup>†</sup> Initial offering net asset value per unit.



**FINANCIAL HIGHLIGHTS (cont.)**

**Ratios and Supplemental Data**

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Portfolio Turnover Rate (%) <sup>2</sup>	Trading Expense Ratio (%) <sup>3</sup>
<b>Series S</b>							
<b>Dec. 31, 2011<sup>5</sup></b>	<b>10.00</b>	<b>12 010</b>	<b>1 201</b>	<b>0.19</b>	<b>0.19</b>	<b>n/a</b>	<b>—</b>
<b>Series I</b>							
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>20 335</b>	<b>2 034</b>	<b>0.15</b>	<b>0.15</b>	<b>n/a</b>	<b>—</b>
Dec. 31, 2010 <sup>4</sup>	10.00	21 798	2 180	0.15	0.15	n/a	—
<b>Series J</b>							
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>13</b>	<b>1</b>	<b>0.11</b>	<b>0.11</b>	<b>n/a</b>	<b>—</b>
Dec. 31, 2010 <sup>4</sup>	10.00	52	5	0.11	0.11	n/a	—
<b>Series O</b>							
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>97 283</b>	<b>9 728</b>	<b>0.03</b>	<b>0.03</b>	<b>n/a</b>	<b>—</b>
Dec. 31, 2010 <sup>4</sup>	10.00	52 239	5 224	0.02	0.02	n/a	—

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

<sup>3</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>4</sup> From January 2010.

<sup>5</sup> From March 2011.



**FINANCIAL HIGHLIGHTS (cont.)**

**Management Fees**

RBC GAM is the manager, portfolio advisor and registrar of the Fund. Management fees paid by each series of the Fund are calculated at the applicable annual percentages, before HST, of the daily value of the net assets of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series S	up to 0.16%	31%	69%
Series I	up to 0.11%	–	100%
Series J	up to 0.08%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

\* Includes all costs related to management, investment advisory services, general administration and profit.

**PAST PERFORMANCE**

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, or optional charges, or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

The Fund was not a reporting issuer from January 26, 2010 until June 6, 2011. The expenses of the Fund would have been higher during the period when it was not a reporting issuer had the Fund been subject to the additional regulatory requirements applicable to a reporting issuer.

**Year-by-Year Returns (%)**

The bar chart indicates the Fund's performance for each of the years shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



<sup>1</sup> From January 2010.





**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at December 31, 2011*

**Investment Mix**

	% of Net Asset Value
Corporate Notes	100.0

**Top 25 Holdings**

	% of Net Asset Value
National Bank of Canada 1.085% Jan 23 12	5.0
SUMMIT Trust 1.117% Jan 25 12	3.3
HSBC Bank Canada 1.142% Mar 23 12	3.1
Canadian Imperial Bank of Commerce 1.111% Jan 6 12	2.9
Caisse Centrale Desjardins 1.054% Jan 16 12	2.7
Bank of Nova Scotia 1.180% May 15 12	2.6
Zeus Receivables Trust – Senior Notes 1.150% Feb 23 12	2.4
Bay Street Funding Trust – Class A 1.162% Mar 21 12	2.3
Thomson Reuters Corp. 1.184% Jan 13 12	2.3
Canadian Imperial Bank of Commerce 1.110% Jan 13 12	2.2
Diversified Trust 1.123% Jan 13 12	2.2
SAFE Trust – Series 1996-1 1.162% Mar 30 12	1.9
Canadian Master Trust – Series A 1.149% Feb 17 12	1.9
Bank of Nova Scotia 1.150% Jan 11 12	1.9
Bank of Montreal 1.200% Jun 5 12	1.9
Fusion Trust 1.162% Jan 27 12	1.8
Merit Trust – Senior Notes 1.150% Feb 17 12	1.6
Ridge Trust 1.150% Jan 31 12	1.5
Prime Trust – Senior Notes 1.150% Feb 15 12	1.5
Darwin Receivables Trust – Senior Notes 1.122% Jan 5 12	1.5
SOUND Trust 1.150% Feb 16 12	1.4
Bank of Nova Scotia 1.151% Mar 15 12	1.3
SAFE Trust – Series 1996-1 1.150% Mar 8 12	1.3
Diversified Trust 1.152% Mar 13 12	1.3
SOUND Trust 1.141% Jan 9 12	1.3
Top 25 Holdings	53.1

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at [www.rbcgam.com/reports](http://www.rbcgam.com/reports).



MONEY MARKET FUND

**RBC INSTITUTIONAL US\$ CASH FUND**

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*December 31, 2011*

**Portfolio Manager** *RBC Global Asset Management Inc. ("RBC GAM")*

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 6, 2012.

**A Note on Forward-looking Statements**

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

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*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-463-FUND (3863), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/reports](http://www.rbcgam.com/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE (in US\$)

### Investment Objective and Strategies

The Fund seeks to provide investors with a high level of interest income while focusing on preserving capital and maintaining liquidity. To achieve the Fund's investment objectives, we invest primarily in a well-diversified portfolio of U.S. dollar denominated money market securities issued by Canadian federal and provincial government entities and their fully guaranteed agencies, banks, corporations, trusts and foreign governments. At the time of purchase, securities are restricted to a maximum term to maturity of 365 days and the portfolio's weighted average term to maturity will not exceed 60 days.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for particular investors remains as discussed in the offering documents of the Fund.

### Results of Operations

Investment performance is permitted to be included for periods when a fund was a reporting issuer. The Fund's inception was in January 2010, but it did not become a reporting issuer until June 2011. However, the Fund was granted exemptive relief which allows the Fund to disclose performance data since its inception in January 2010.

The Fund's net asset value increased to \$72.0 million as of December 31, 2011, from \$56.1 million at the end of 2010. Of this change, \$15.8 million was due to net inflows and the remainder to investment returns.

As of December 31, 2011, the current yields were 0.1% for Series S units, 0.1% for Series I units, 0.2% for Series O units and 0.2% for Series J units. During the one-year period ending December 31, 2011, the Fund's Series I units returned 0.11%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

The past year was the third year of the "zero interest rate" environment that followed the financial crisis of 2008. Central banks of most of the developed world, including the Bank of Canada, have maintained extremely low target lending rates in their efforts to stimulate sluggish economies. This has led to a very challenging environment for money market investors to make significant returns.

The Fund was invested mostly in U.S. dollar issues of Canadian corporations, banks and bank-sponsored asset-backed commercial paper. There was also a smaller allocation to U.S. dollar securities issued by the provinces. These instruments all yielded more than U.S. Treasury bills during the past year.

It is important to note that despite the challenging, low-yielding environment, the Fund did not take on additional risk by investing in lower-quality, higher-yielding instruments. Capital preservation remains the Fund's primary objective.

The U.S. Federal Reserve kept its Federal Funds Rate at 0-0.25% for the entire year, as it did in 2009 and 2010. Because of this, the 0-365 day part of the yield curve remained essentially flat for the entire year, reducing our ability to add value via strategic allocations along the curve. Despite this, our primary focus was diligent security and issuer selection.

### Recent Developments

The global economy will likely experience slow growth over the next several quarters. Setting inflation targets is one of the U.S. Federal Reserve's objectives, and inflationary price increases have been well contained in the past year, with the core inflation rate near 2% in the United States. Furthermore, the U.S. Federal Reserve has indicated its intention to keep its "zero interest rate" policy in place until at least the middle of 2013.

It appears that the low-interest-rate environment will likely persist for the foreseeable future. The Fund will continue to focus on investments in high-quality commercial paper, banker's acceptances, and asset-backed commercial paper, as well as continuing to maintain its goal of capital preservation.

### Related-Party Transactions

#### ***Manager, Portfolio Advisor, Distributor and Registrar***

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, principal portfolio advisor and registrar of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM, as registrar, also keeps the records of who owns the units of the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.



Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

***Trustee and Custodian***

RBC Dexia Investor Services Trust ("RBC Dexia") is the trustee and custodian of the Fund. The fees paid to RBC Dexia are paid by RBC GAM and not the Fund.

RBC Dexia holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

***Other Related-Party Transactions***

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

***Inter-Fund Trading***

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the BoG of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made in the best interests of the Fund and free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.



**FINANCIAL HIGHLIGHTS (in US\$)**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements. "Net Assets" are calculated in accordance with Canadian generally accepted accounting principles, which are used to prepare the financial statements (see table below). "Net Asset Value" is derived from the valuation method disclosed in the RBC Institutional Cash Funds' Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value.

**Change in Net Assets Per Unit**

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>					Net Assets End of Year
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital	Total	
<b>Series S</b>												
<b>Dec. 31, 2011<sup>4</sup></b>	<b>10.00<sup>†</sup></b>	<b>0.02</b>	<b>(0.01)</b>	–	–	<b>0.01</b>	<b>(0.01)</b>	–	–	–	<b>(0.01)</b>	<b>10.00</b>
<b>Series I</b>												
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>0.03</b>	<b>(0.02)</b>	–	–	<b>0.01</b>	<b>(0.01)</b>	–	–	–	<b>(0.01)</b>	<b>10.00</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.02	(0.01)	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00
<b>Series J</b>												
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>0.02</b>	<b>(0.01)</b>	–	–	<b>0.01</b>	<b>(0.01)</b>	–	–	–	<b>(0.01)</b>	<b>10.00</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.01	–	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00
<b>Series O</b>												
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>0.02</b>	–	–	–	<b>0.02</b>	<b>(0.02)</b>	–	–	–	<b>(0.02)</b>	<b>10.00</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.01	–	–	–	0.01	(0.01)	–	–	–	(0.01)	10.00

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are reinvested in additional units of the Fund or paid in cash.

<sup>3</sup> From January 2010.

<sup>4</sup> From March 2011. Series S is offered to certain qualified investors in reliance on exemptions from prospectus requirements under applicable securities laws.

<sup>†</sup> Initial offering net asset value per unit.



**FINANCIAL HIGHLIGHTS (in US\$) (cont.)**

**Ratios and Supplemental Data**

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Portfolio Turnover Rate (%) <sup>2</sup>	Trading Expense Ratio (%) <sup>3</sup>
<b>Series S</b>							
<b>Dec. 31, 2011<sup>5</sup></b>	<b>10.00</b>	<b>9</b>	<b>1</b>	<b>0.20</b>	<b>0.20</b>	<b>n/a</b>	<b>—</b>
<b>Series I</b>							
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>10</b>	<b>1</b>	<b>0.15</b>	<b>0.15</b>	<b>n/a</b>	<b>—</b>
Dec. 31, 2010 <sup>4</sup>	10.00	15	2	0.14	0.14	n/a	—
<b>Series J</b>							
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>9</b>	<b>1</b>	<b>0.09</b>	<b>0.09</b>	<b>n/a</b>	<b>—</b>
Dec. 31, 2010 <sup>4</sup>	10.00	—	—	0.11	0.11	n/a	—
<b>Series O</b>							
<b>Dec. 31, 2011</b>	<b>10.00</b>	<b>72 020</b>	<b>7 202</b>	<b>0.03</b>	<b>0.03</b>	<b>n/a</b>	<b>—</b>
Dec. 31, 2010 <sup>4</sup>	10.00	56 081	5 608	0.02	0.02	n/a	—

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

<sup>3</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>4</sup> From January 2010.

<sup>5</sup> From March 2011.



**FINANCIAL HIGHLIGHTS (in US\$) (cont.)**

**Management Fees**

RBC GAM is the manager, portfolio advisor and registrar of the Fund. Management fees paid by each series of the Fund are calculated at the applicable annual percentages, before HST, of the daily value of the net assets of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series S	up to 0.16%	31%	69%
Series I	up to 0.11%	–	100%
Series J	up to 0.08%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

\* Includes all costs related to management, investment advisory services, general administration and profit.

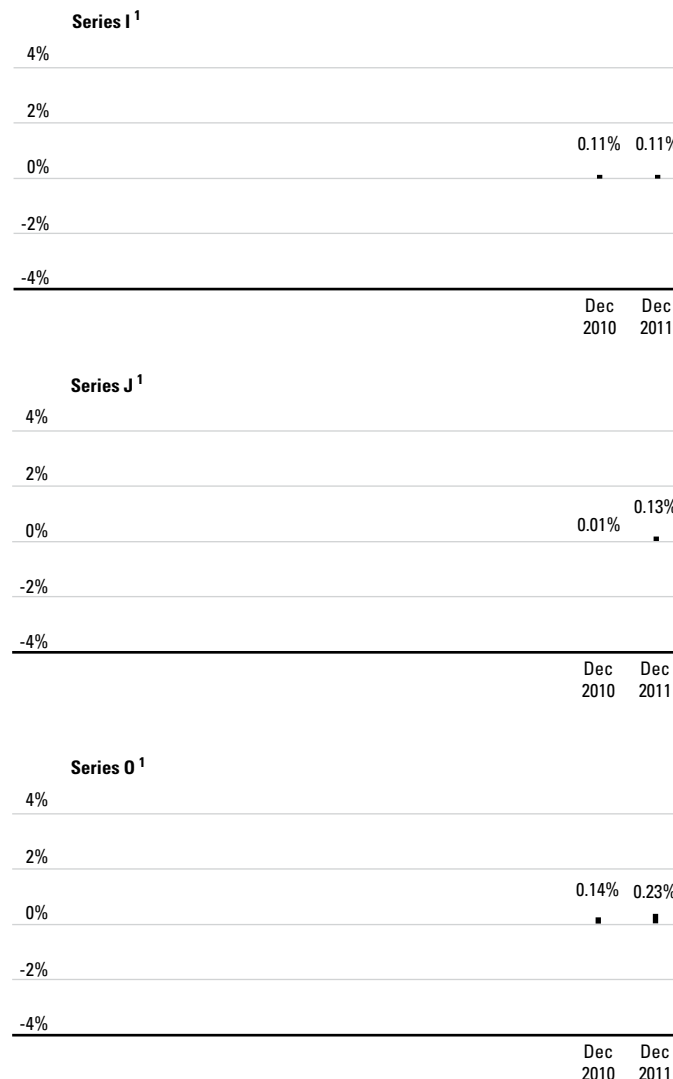
**PAST PERFORMANCE (in US\$)**

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, or optional charges, or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

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**Year-by-Year Returns (%)**

The bar chart indicates the Fund's performance for each of the years shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



<sup>1</sup> From January 2010.



**SUMMARY OF INVESTMENT PORTFOLIO (in US\$)**

*(after consideration of derivative products, if any)*

*As at December 31, 2011*

**Investment Mix**

	% of Net Asset Value
Corporate Notes	94.4
Government Notes	5.6

**Top 25 Holdings**

	% of Net Asset Value
Canadian Imperial Bank of Commerce 0.077% Jan 18 12	8.0
Province of Quebec 0.109% Mar 15 12	5.6
Toronto-Dominion Bank 0.169% Feb 2 12	5.1
Bank of Montreal 0.229% Feb 13 12	4.9
Toronto-Dominion Bank 0.131% Mar 21 12	4.3
Caisse Centrale Desjardins 0.180% Mar 28 12	4.2
Ridge Trust 0.223% Jan 19 12	4.2
Canadian Master Trust – Series A 0.269% Jan 23 12	2.9
Darwin Receivables Trust – Senior Notes 0.340% Mar 21 12	2.8
SAFE Trust – Series 1996-1 0.349% Feb 23 12	2.8
SUMMIT Trust 0.269% Mar 1 12	2.6
Diversified Trust 0.270% Mar 6 12	2.6
TransCanada PipeLines Ltd. 0.360% Jan 17 12	2.5
Fusion Trust 0.348% Mar 14 12	2.5
Merit Trust – Senior Notes 0.260% Feb 1 12	2.4
Prime Trust – Senior Notes 0.340% Mar 21 12	2.4
Zeus Receivables Trust – Senior Notes 0.302% Mar 14 12	2.3
Zeus Receivables Trust – Senior Notes 0.329% Mar 30 12	2.1
HSBC Bank Canada 0.202% Feb 27 12	2.0
Darwin Receivables Trust – Senior Notes 0.284% Jan 23 12	1.8
SUMMIT Trust 0.332% Mar 27 12	1.8
Reliant Trust 0.298% Feb 28 12	1.8
SOUND Trust 0.349% Feb 23 12	1.7
TransCanada PipeLines Ltd. 0.521% Feb 6 12	1.7
Diversified Trust 0.331% Mar 23 12	1.6
<b>Top 25 Holdings</b>	<b>76.6</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at [www.rbcgam.com/reports](http://www.rbcgam.com/reports).





FIXED INCOME FUND

## RBC INSTITUTIONAL LONG CASH FUND

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December 31, 2011

**Portfolio Manager** RBC Global Asset Management Inc. ("RBC GAM")

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 6, 2012.

### **A Note on Forward-looking Statements**

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

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*This annual management report of fund performance ("MRFP") contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling 1-800-463-FUND (3863), by writing to us at RBC Global Asset Management Inc., P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9, or by visiting our website at [www.rbcgam.com/reports](http://www.rbcgam.com/reports) or SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.*



## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The Fund seeks to provide investors with a high level of interest income while focusing on preserving capital. To achieve the Fund's investment objectives, we invest primarily in a well-diversified portfolio of Canadian dollar short-term fixed income and money market securities issued or guaranteed by Canadian federal and provincial government entities, their fully guaranteed agencies, banks, corporations, trusts and foreign governments. At the time of purchase, securities are restricted to a maximum remaining term to maturity of two years and the portfolio's weighted average term to maturity is permitted to range from six to 18 months.

### Risk

There were no significant changes to the investment objective and strategies that affected the Fund's overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for particular investors remains as discussed in the offering documents of the Fund.

### Results of Operations

Investment performance is permitted to be included for periods when a fund was a reporting issuer. The Fund's inception was in January 2010, but it did not become a reporting issuer until June 2011. However, the Fund was granted exemptive relief which allows the Fund to disclose performance data since its inception in January 2010.

The Fund's net asset value increased to \$89.5 million as of December 31, 2011, from \$31.9 million at the end of 2010. Of this change, \$56.6 million was due to net inflows and the remainder to investment returns.

During the one-year period ending December 31, 2011, the Fund's Series I units returned 1.8%. Over the same time period, the Fund's benchmark index, the DEX 365-Day Treasury Bill Index, returned 1.9%. The Fund's return is after the deduction of fees and expenses. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

The past year was the third year of the "zero interest rate" environment that followed the financial crisis of 2008. Central banks of most of the developed world, including the Bank of Canada, have maintained extremely low target lending rates in their efforts to stimulate sluggish economies. This has led to a very challenging environment for money market investors to make significant returns.

The Fund was invested in a mix of securities that stayed close to an allocation of 30% government securities and 70% corporate securities for most of the year. The Government securities held in the Fund were overwhelmingly provincial Treasury bills, which paid a premium over federal Treasury bills and which increased their premium over federal Treasury bills as the year went on.

We kept the duration of the Fund approximately three months shorter than its one year benchmark for most of 2011 in anticipation that short-term interest rates would rise. This rate rise did not occur, as the Bank of Canada kept its target overnight lending rate at 1.0% for the entire year. The Fund's short duration was a modest drag on performance. Fortunately, this drag was offset by the yield advantage that the Fund enjoyed due to its credit allocation.

### Recent Developments

The global economy will likely experience slow growth over the next several quarters. Setting inflation targets is the primary objective of most central banks, including the Bank of Canada, and inflationary price increases have been well contained in the past year.

In Canada and the U.S., the core inflation rate is approximately 2%, which is in the middle of the target range set by the central banks. Central banks, including the Bank of Canada, appear to have little reason to implement interest rate increases in this low growth, low inflation environment. Furthermore, the U.S. Federal Reserve has indicated its intention to keep its "zero interest rate" policy in place until at least the middle of 2013.

It appears that the low-interest-rate environment will likely persist for the foreseeable future. The Fund will continue to focus on investments in high-quality corporate bonds as well as continuing to maintain its goal of capital preservation.

### Related-Party Transactions

#### **Manager, Portfolio Advisor, Distributor and Registrar**

RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, principal portfolio advisor and registrar of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM, as registrar, also keeps the records of who owns the units of the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.



Affiliates of RBC GAM that provide services to the Fund in the course of their normal businesses are discussed below.

***Trustee and Custodian***

RBC Dexia Investor Services Trust ("RBC Dexia") is the trustee and custodian of the Fund. The fees paid to RBC Dexia are paid by RBC GAM and not the Fund.

RBC Dexia holds title to the Fund's property on behalf of unitholders and holds the assets of the Fund.

***Other Related-Party Transactions***

Pursuant to applicable securities legislation, the Fund relied on the standing instructions from the Board of Governors ("BoG") in its capacity as the Independent Review Committee with respect to one or more of the following transactions:

***Related-Party Trading Activities***

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

***Inter-Fund Trading***

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the BoG of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities (i) is made in the best interests of the Fund and free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Fund, (iii) is in compliance with RBC GAM policies and procedures, and (iv) achieves a fair and reasonable result for the Fund. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.



## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements. "Net Assets" are calculated in accordance with Canadian generally accepted accounting principles, which are used to prepare the financial statements (see table below). "Net Asset Value" is derived from the valuation method disclosed in the RBC Institutional Cash Funds' Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purposes of this MRFP are made using Net Asset Value.

### Change in Net Assets Per Unit (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations <sup>1</sup>					Annual Distributions <sup>2</sup>				Net Assets End of Year	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		Total
<b>Series I</b>												
<b>Dec. 31, 2011</b>	<b>9.82</b>	<b>0.46</b>	<b>(0.01)</b>	<b>(0.10)</b>	<b>(0.13)</b>	<b>0.22</b>	<b>(0.35)</b>	–	–	–	<b>(0.35)</b>	<b>9.64</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.27	(0.01)	(0.02)	(0.07)	0.17	(0.27)	–	–	–	(0.27)	9.82
<b>Series J</b>												
<b>Dec. 31, 2011</b>	<b>9.83</b>	<b>0.26</b>	<b>(0.01)</b>	<b>(0.06)</b>	<b>(0.07)</b>	<b>0.12</b>	<b>(0.30)</b>	–	–	–	<b>(0.30)</b>	<b>9.70</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.27	–	(0.02)	(0.07)	0.18	(0.27)	–	–	–	(0.27)	9.83
<b>Series O</b>												
<b>Dec. 31, 2011</b>	<b>9.81</b>	<b>0.47</b>	–	<b>(0.10)</b>	<b>(0.13)</b>	<b>0.24</b>	<b>(0.38)</b>	–	–	–	<b>(0.38)</b>	<b>9.62</b>
Dec. 31, 2010 <sup>3</sup>	10.00 <sup>†</sup>	0.29	–	(0.02)	(0.08)	0.19	(0.29)	–	–	–	(0.29)	9.81

<sup>1</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>2</sup> Distributions are reinvested in additional units of the Fund or paid in cash.

<sup>3</sup> From January 2010.

<sup>†</sup> Initial offering net asset value per unit.

### Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) <sup>1</sup>	MER Before Absorption (%) <sup>1</sup>	Portfolio Turnover Rate (%) <sup>2</sup>	Trading Expense Ratio (%) <sup>3</sup>
<b>Series I</b>							
<b>Dec. 31, 2011</b>	<b>9.65</b>	<b>8 670</b>	<b>899</b>	<b>0.14</b>	<b>0.14</b>	<b>99.87</b>	–
Dec. 31, 2010 <sup>4</sup>	9.82	11 447	1 165	0.15	0.15	73.53	–
<b>Series J</b>							
<b>Dec. 31, 2011</b>	<b>9.71</b>	<b>74 858</b>	<b>7 708</b>	<b>0.12</b>	<b>0.12</b>	<b>99.87</b>	–
Dec. 31, 2010 <sup>4</sup>	9.83	4 576	465	0.11	0.11	73.53	–
<b>Series O</b>							
<b>Dec. 31, 2011</b>	<b>9.63</b>	<b>6 016</b>	<b>625</b>	<b>0.03</b>	<b>0.03</b>	<b>99.87</b>	–
Dec. 31, 2010 <sup>4</sup>	9.82	15 961	1 625	0.02	0.02	73.53	–

<sup>1</sup> The management expense ratio ("MER") is based on expenses for the stated period, excluding commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. RBC GAM may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. MER includes the waiver or absorption by RBC GAM of certain operating expenses, while the MER before absorption shows the MER prior to operating expenses being waived or absorbed by RBC GAM.

<sup>2</sup> The Fund's portfolio turnover rate gives an indication of the level of activity employed by the portfolio manager. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of the Fund. The portfolio turnover rate is not applicable to money market funds.

<sup>3</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of daily average net asset value during the period. The trading expense ratio is not applicable to fixed-income transactions.

<sup>4</sup> From January 2010.



**FINANCIAL HIGHLIGHTS (cont.)**

**Management Fees**

RBC GAM is the manager, portfolio advisor and registrar of the Fund. Management fees paid by each series of the Fund are calculated at the applicable annual percentages, before HST, of the daily value of the net assets of each series of the Fund. The breakdown of the services received in consideration of the management fees for each series, as a percentage of the management fees, is as follows:

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series I	0.11%	–	100%
Series J	0.08%	–	100%

Series O – no management fees are paid by the Fund in respect of Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

\* Includes all costs related to management, investment advisory services, general administration and profit.

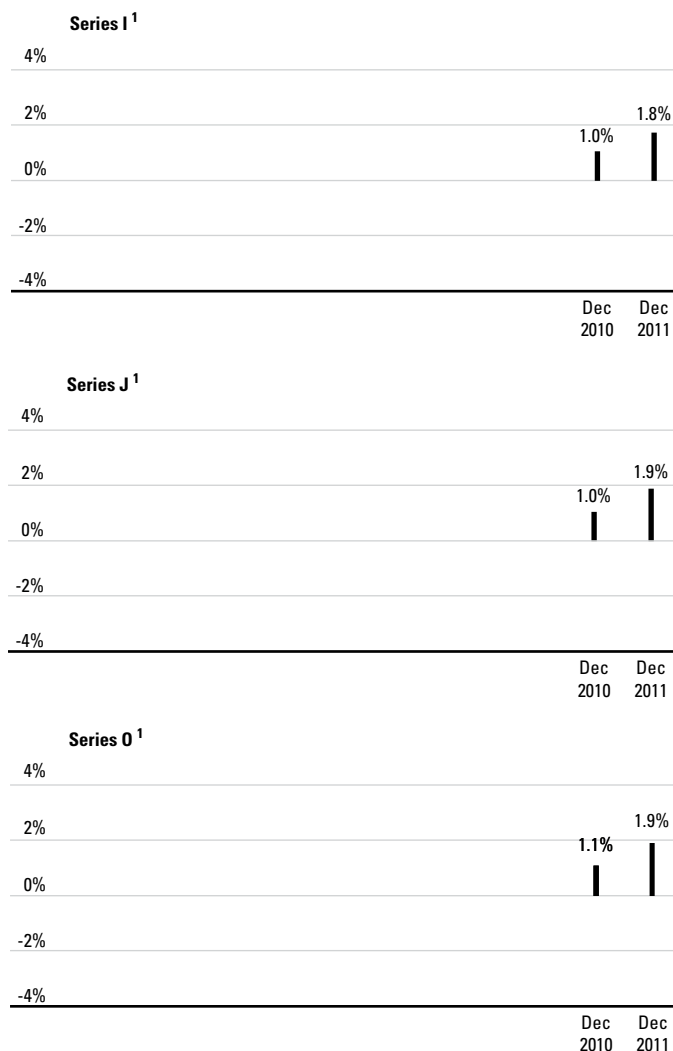
**PAST PERFORMANCE**

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, or optional charges, or income taxes payable that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund may perform in the future. A fund with more than 10 years of performance history is only permitted to disclose the past 10 years.

The Fund was not a reporting issuer from January 26, 2010 until June 6, 2011. The expenses of the Fund would have been higher during the period when it was not a reporting issuer had the Fund been subject to the additional regulatory requirements applicable to a reporting issuer.

**Year-by-Year Returns (%)**

The bar chart indicates the Fund’s performance for each of the years shown and illustrates how the Fund’s performance has changed from year to year. The bar chart shows in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year.



<sup>1</sup> From January 2010.



**PAST PERFORMANCE (cont.)**

**Annual Compound Returns (%)**

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on December 31, 2011, compared with the following benchmark:

DEX 365 Day T-Bill Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series I <sup>1</sup>	1.8	—	—	—	1.5
Benchmark	1.9	—	—	—	1.4
Series J <sup>1</sup>	1.9	—	—	—	1.5
Benchmark	1.9	—	—	—	1.4
Series O <sup>1</sup>	1.9	—	—	—	1.6
Benchmark	1.9	—	—	—	1.4

The returns of each series may vary because of differences in management fees and expenses. The Benchmark index returns do not include any costs of investing. See Management Discussion of Fund Performance for a discussion of performance relative to the Benchmark index.

<sup>1</sup> Inception date January 2010.

**INDEX DESCRIPTION**

**DEX 365 Day T-Bill Index** This index is a measure of the performance of Canadian T-Bills with a maturity of one year.

**SUMMARY OF INVESTMENT PORTFOLIO**

*(after consideration of derivative products, if any)*

*As at December 31, 2011*

**Investment Mix**

	% of Net Asset Value
Corporate Bonds	68.7
Government Notes	24.4
Federal Bonds	5.7
Corporate Notes	1.2

**Top 25 Holdings**

	% of Net Asset Value
Toronto-Dominion Bank 5.382% Nov 1 17	9.8
Bank of Nova Scotia 5.250% Nov 1 17	9.8
Bank of Montreal 5.200% Jun 21 17	9.6
Financement-Quebec 1.080% Apr 25 12	8.3
Canadian Imperial Bank of Commerce 5.150% Jun 6 18	7.6
Canada Housing Trust No. 1 4.000% Jun 15 12	5.7
Cards II Trust 3.048% May 15 13	4.9
Master Credit Card Trust 5.237% May 21 13	4.9
Golden Credit Card Trust 5.421 15-Apr-13	4.9
Canadian Credit Card Master Trust 5.365% Mar 25 13	4.8
Financement-Quebec 1.028% Mar 13 12	4.6
Caterpillar Financial Services Ltd. 5.200% Jun 3 13	3.5
Province of Ontario 0.989% Jan 18 12	3.1
Financement-Quebec 0.991% Feb 13 12	2.9
Financement-Quebec 1.011% May 15 12	2.7
TransCanada PipeLines Ltd. 5.050% Aug 20 13	2.6
Canadian Imperial Bank of Commerce 5.000% Sep 10 12	2.1
Greater Toronto Airports Authority 6.250% Jan 30 12	1.9
Province of Ontario 1.001% Jun 6 12	1.8
Brookfield Asset Management Inc., Class A 1.285% Jan 17 12	1.2
Bear Stearns Cos LLC CAD 4.350% Jul 20 12	0.6
Morgan Stanley CAD 4.500% Feb 23 12	0.6
Merrill Lynch & Co Inc. CAD 4.500% Jan 30 12	0.6
Financement-Quebec 1.001% Jan 31 12	0.5
Province of Ontario 0.980% Feb 29 12	0.3
<b>Top 25 Holdings</b>	<b>99.3</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at [www.rbcgam.com/reports](http://www.rbcgam.com/reports).



The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM"), as manager of the RBC Institutional Cash Funds (the "Funds") and approved by the Board of Directors of RBC GAM. We are responsible for the information contained within these financial statements.

We have maintained appropriate procedures and controls to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada (and they include certain amounts that are based on estimates and judgments). The significant accounting policies, which we believe are appropriate for the Funds, are described in Note 3 to the financial statements.

An advisory Board of Governors of the Funds was established specifically to provide advice to the manager regarding conflicts of interest in mutual fund management. In addition to the regulatory requirements pursuant to the provisions of National Instrument 81-107, Independent Review Committee, the Board of Governors and its committees have been asked by RBC GAM to maintain their important roles of providing advice on other issues relating to the management of the Funds.

Although the Board of Directors of RBC GAM is solely responsible for approving the financial statements and overseeing management's financial reporting responsibilities, the Financial Advisory Committee of the Board of Governors provides advice to the Board of Governors and RBC GAM concerning financial reporting, the audit process and internal controls.

Deloitte & Touche LLP is the external auditor of the Funds. The auditor was appointed by the trustee and cannot be changed without the prior approval of the Board of Governors, in its capacity as the independent review committee. Deloitte & Touche LLP has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to unitholders its opinion on the financial statements. Its report is set out on the next page.

**John S. Montalbano, CFA**  
Chief Executive Officer  
RBC Global Asset Management Inc.

**Frank Lippp**  
Chief Financial Officer and Chief Operating Officer  
RBC Global Asset Management Inc.

March 6, 2012



December 31, 2011

To the Unitholders of:

**RBC Institutional Government-Plus Cash Fund**  
**RBC Institutional Cash Fund**  
**RBC Institutional US\$ Cash Fund**  
**RBC Institutional Long Cash Fund**  
**(collectively referred to as the "Funds")**

We have audited the accompanying financial statements of each of the Funds, which comprise the statement of investment portfolio as at December 31, 2011, the statements of net assets as at December 31, 2011 and 2010 and the statements of operations and changes in net assets for the years or periods (since establishment of the Funds) then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2011 and 2010 and the results of their operations and the changes in their net assets for the period then ended, in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants, Licensed Public Accountants

March 6, 2012  
Toronto, Ontario





STATEMENT OF INVESTMENT PORTFOLIO (in \$000s)  
**RBC INSTITUTIONAL GOVERNMENT-PLUS CASH FUND**

December 31, 2011

Par Value	Security	Fair Value	% of Net Assets
<b>BANKERS ACCEPTANCES AND BANK OBLIGATIONS</b>			
\$ 18 985	Bank of Montreal	\$ 18 924	
18 900	Bank of Nova Scotia	18 839	
16 580	Canadian Imperial Bank of Commerce	16 527	
15 400	National Bank of Canada	15 357	
8 035	Toronto-Dominion Bank	8 006	
		<b>77 653</b>	<b>39.9</b>
<b>GOVERNMENT AND GOVERNMENT GUARANTEED</b>			
7 000	Canada Housing Trust No. 1	7 105	
		<b>7 105</b>	<b>3.6</b>
<b>PROVINCIAL OBLIGATIONS</b>			
10 980	Financement-Quebec	10 935	
11 520	Province of British Columbia	11 490	
22 460	Province of New Brunswick	22 404	
46 450	Province of Ontario	46 341	
18 600	Province of Quebec	18 566	
		<b>109 736</b>	<b>56.3</b>
<b>TOTAL INVESTMENTS*</b>		<b>194 494</b>	<b>99.8</b>
<b>OTHER NET ASSETS</b>		<b>274</b>	<b>0.2</b>
<b>NET ASSETS</b>		<b>\$ 194 768</b>	<b>100.0</b>

\* Investments, which are grouped by issuer, earn interest at rates ranging from 0.95% to 1.37% and mature between January 3, 2012 and June 15, 2012.



**Statements of Net Assets** (in \$000s except per unit amounts)

December 31 (see note 2 in the generic notes)	2011	2010
<b>ASSETS</b>		
Investments at fair value	\$ 194 494	\$ 201 271
Cash	10	18
Dividends receivable, interest accrued and other assets	285	279
<b>TOTAL ASSETS</b>	<b>194 789</b>	<b>201 568</b>
<b>LIABILITIES</b>		
Distributions payable	14	–
Accounts payable and accrued expenses	7	4
<b>TOTAL LIABILITIES</b>	<b>21</b>	<b>4</b>
<b>NET ASSETS</b>	<b>\$ 194 768</b>	<b>\$ 201 564</b>
Investments at cost	\$ 194 494	\$ 201 271
<b>NET ASSETS PER SERIES, END OF PERIOD</b>		
<b>SERIES S</b>	\$ 20 011	\$ –
<b>SERIES I</b>	\$ 996	\$ 900
<b>SERIES J</b>	\$ 12	\$ 42
<b>SERIES O</b>	\$ 173 749	\$ 200 622
<b>NET ASSETS PER UNIT, END OF PERIOD</b>		
<b>SERIES S</b>	\$ 10.00	\$ –
<b>SERIES I</b>	\$ 10.00	\$ 10.00
<b>SERIES J</b>	\$ 10.00	\$ 10.00
<b>SERIES O</b>	\$ 10.00	\$ 10.00
<b>NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)</b>		
<b>SERIES S</b>	\$ 10.00	\$ –
<b>SERIES I</b>	\$ 10.00	\$ 10.00
<b>SERIES J</b>	\$ 10.00	\$ 10.00
<b>SERIES O</b>	\$ 10.00	\$ 10.00

**Statements of Operations** (in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)*	2011	2010
<b>INCOME (see note 3 in the generic notes)</b>		
Interest	\$ 1 893	\$ 578
<b>TOTAL INCOME (LOSS)</b>	<b>1 893</b>	<b>578</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	9	1
Administration fees	35	11
Board of Governors costs	3	–
GST/HST	6	2
<b>TOTAL EXPENSES</b>	<b>53</b>	<b>14</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>1 840</b>	<b>564</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>		
	\$ 1 840	\$ 564
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>		
<b>SERIES S</b>	\$ 47	\$ –
<b>SERIES I</b>	\$ 7	\$ 4
<b>SERIES J</b>	\$ –	\$ –
<b>SERIES O</b>	\$ 1 786	\$ 560
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT</b>		
<b>SERIES S</b>	\$ 0.07	\$ –
<b>SERIES I</b>	\$ 0.09	\$ 0.04
<b>SERIES J</b>	\$ 0.10	\$ 0.04
<b>SERIES O</b>	\$ 0.10	\$ 0.05

\* Fund launched January 2010; Series S launched March 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.

**John S. Montalbano**  
Director

**D. Williams**  
Director

The accompanying notes are an integral part of these financial statements.



**Statements of Changes in Net Assets** (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)*	Series S		Series I		Series J	
	2011	2010	2011	2010	2011	2010
<b>NET ASSETS – BEGINNING OF PERIOD</b>	\$ –	\$ –	\$ 900	\$ –	\$ 42	\$ –
<b>INCREASE (DECREASE) FROM OPERATIONS</b>	47	–	7	4	–	–
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	50 010	–	1 089	996	–	52
Proceeds from reinvestment of distributions	10	–	7	4	–	–
Payments on redemption of units	(30 010)	–	(1 000)	(100)	(30)	(10)
<b>TOTAL UNIT TRANSACTIONS</b>	20 010	–	96	900	(30)	42
Distributions from net income	(46)	–	(7)	(4)	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS</b>	(46)	–	(7)	(4)	–	–
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	20 011	–	96	900	(30)	42
<b>NET ASSETS – END OF PERIOD</b>	\$ 20 011	\$ –	\$ 996	\$ 900	\$ 12	\$ 42

For the periods ended December 31 (see note 2 in the generic notes)*	Series O		Total	
	2011	2010	2011	2010
<b>NET ASSETS – BEGINNING OF PERIOD</b>	\$ 200 622	\$ –	\$ 201 564	\$ –
<b>INCREASE (DECREASE) FROM OPERATIONS</b>	1 786	560	1 840	564
Early redemption fees	–	–	–	–
Proceeds from units issued	153 978	200 062	205 077	201 110
Proceeds from reinvestment of distributions	1 786	560	1 803	564
Payments on redemption of units	(182 637)	–	(213 677)	(110)
<b>TOTAL UNIT TRANSACTIONS</b>	(26 873)	200 622	(6 797)	201 564
Distributions from net income	(1 786)	(560)	(1 839)	(564)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
<b>TOTAL DISTRIBUTIONS</b>	(1 786)	(560)	(1 839)	(564)
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	(26 873)	200 622	(6 796)	201 564
<b>NET ASSETS – END OF PERIOD</b>	\$ 173 749	\$ 200 622	\$ 194 768	\$ 201 564

\* Fund launched January 2010; Series S launched March, 2011.



December 31, 2011

**Financial instrument risk and capital management  
(see note 4 in the generic notes)**

**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2011	December 31 2010
R-1 (H)	39.4	68.1
R-1 (M)	60.6	31.9
Total debt securities	100.0	100.0

**Interest rate risk (%)**

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2011	December 31 2010
0 – 1 months	50.3	51.3
1 – 3 months	32.5	45.4
4 – 6 months	17.2	3.3
7 – 12 months	–	–
Total debt securities	100.0	100.0

Due to the short-term nature of the Fund's investments, the Fund has minimal sensitivity to changes in interest rates.

**Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)**

The following is a summary of the inputs used as of December 31, 2011 and 2010 in the valuation of the Fund's financial instruments carried at fair value.

December 31, 2011	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	194 494	–	194 494
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	–	194 494	–	194 494
<b>% of total portfolio</b>	–	100.0	–	100.0

December 31, 2010	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	201 271	–	201 271
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	–	201 271	–	201 271
<b>% of total portfolio</b>	–	100.0	–	100.0

Please see the generic notes at the back of the financial statements.

For the years ended December 31, 2011 and 2010 there were no transfers of financial instruments between Level 1 and Level 2.

**Management fees (see note 6 in the generic notes)**

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to the manager for investment-counselling services.

The management fees are calculated at the following annual percentage, before GST/HST, of the daily net asset value of each series of the Fund.

Series S	up to 0.16%
Series I	up to 0.11%
Series J	up to 0.08%

**Operating expenses (see note 6 in the generic notes)**

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series S	0.02%
Series I	0.02%
Series J	0.02%
Series O	0.02%

**Initial investments (\$000s except unit amounts)  
(see note 6 in the generic notes)**

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2011	December 31 2010
<b>Units held</b>		
Series S	1 007	–
Series I	1 159	89 987
Series J	1 237	4 220
Series O	249	6 234
<b>Value of all units</b>	<b>\$ 37</b>	<b>\$ 1 004</b>

**Taxes (\$000s) (see note 5 in the generic notes)**

The Fund had no capital or non-capital losses as at December 31, 2011.



December 31, 2011

**Unitholders' equity (000s)**

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended December 31  
(see note 2 in the generic notes)

	2011	2010
<b>Series S</b>		
Opening units	–	–
Issued number of units	5 001	–
Reinvested number of units	1	–
Redeemed number of units	(3 001)	–
Ending number of units	2 001	–
<b>Series I</b>		
Opening units	90	–
Issued number of units	109	100
Reinvested number of units	1	–
Redeemed number of units	(100)	(10)
Ending number of units	100	90
<b>Series J</b>		
Opening units	4	–
Issued number of units	–	5
Reinvested number of units	–	–
Redeemed number of units	(3)	(1)
Ending number of units	1	4
<b>Series O</b>		
Opening units	20 062	–
Issued number of units	15 398	20 006
Reinvested number of units	179	56
Redeemed number of units	(18 264)	–
Ending number of units	17 375	20 062

Please see the generic notes at the back of the financial statements.



STATEMENT OF INVESTMENT PORTFOLIO (in \$000s)  
**RBC INSTITUTIONAL CASH FUND**

December 31, 2011

Par Value	Security	Fair Value	% of Net Assets
<b>BANKERS ACCEPTANCES AND BANK OBLIGATIONS</b>			
\$ 4 000	Bank of Montreal	\$ 3 976	
8 140	Bank of Nova Scotia	8 107	
8 950	Canadian Imperial Bank of Commerce	8 924	
5 750	HSBC Bank Canada	5 729	
6 500	National Bank of Canada	6 491	
2 500	Toronto-Dominion Bank	2 483	
		<b>35 710</b>	<b>27.5</b>
<b>COMMERCIAL PAPER</b>			
5 640	Bay Street Funding Trust - Class A	5 628	
890	Bell Aliant Regional Communications	889	
3 400	Brookfield Asset Management Inc., Class A	3 392	
3 510	Caisse Centrale Desjardins	3 507	
3 800	Canadian Master Trust – Series A	3 789	
2 890	Central 1 Credit Union	2 882	
5 350	Darwin Receivables Trust – Senior Notes	5 339	
4 600	Diversified Trust	4 588	
3 625	Enbridge Inc.	3 622	
3 150	Finning International Inc.	3 147	
5 540	Fusion Trust	5 523	
3 400	Inter Pipeline Fund	3 389	
5 970	Merit Trust – Senior Notes	5 954	
1 510	OMERS Realty Corp.	1 506	
4 350	Prime Trust – Senior Notes	4 337	
5 750	Reliant Trust	5 734	
2 000	Ridge Trust	1 994	
5 735	SAFE Trust - Series 1996-1	5 719	
5 310	SOUND Trust	5 295	
4 750	SUMMIT Trust	4 744	
2 065	TELUS Corp.	2 059	
3 000	Thomson Reuters Corp.	2 997	
1 050	TransCanada PipeLines Ltd.	1 047	
800	Vancity Credit Union	797	
5 935	Zeus Receivables Trust – Senior Notes	5 918	
		<b>93 796</b>	<b>72.4</b>
<b>TOTAL INVESTMENTS*</b>		<b>129 506</b>	<b>99.9</b>
<b>OTHER NET ASSETS</b>		<b>135</b>	<b>0.1</b>
<b>NET ASSETS</b>		<b>\$ 129 641</b>	<b>100.0</b>

\* Investments, which are grouped by issuer, earn interest at rates ranging from 1.05% to 1.38% and mature between January 3, 2012 and June 5, 2012.



**Statements of Net Assets** (in \$000s except per unit amounts)

December 31 (see note 2 in the generic notes)	2011	2010
<b>ASSETS</b>		
Investments at fair value	\$ 129 506	\$ 73 985
Cash	9	10
Dividends receivable, interest accrued and other assets	178	100
<b>TOTAL ASSETS</b>	<b>129 693</b>	<b>74 095</b>
<b>LIABILITIES</b>		
Redemptions payable	36	–
Distributions payable	10	–
Accounts payable and accrued expenses	6	6
<b>TOTAL LIABILITIES</b>	<b>52</b>	<b>6</b>
<b>NET ASSETS</b>	<b>\$ 129 641</b>	<b>\$ 74 089</b>
Investments at cost	\$ 129 506	\$ 73 985
<b>NET ASSETS PER SERIES, END OF PERIOD</b>		
<b>SERIES S</b>	<b>\$ 12 010</b>	<b>\$ –</b>
<b>SERIES I</b>	<b>\$ 20 335</b>	<b>\$ 21 798</b>
<b>SERIES J</b>	<b>\$ 13</b>	<b>\$ 52</b>
<b>SERIES O</b>	<b>\$ 97 283</b>	<b>\$ 52 239</b>
<b>NET ASSETS PER UNIT, END OF PERIOD</b>		
<b>SERIES S</b>	<b>\$ 10.00</b>	<b>\$ –</b>
<b>SERIES I</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>SERIES J</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>SERIES O</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)</b>		
<b>SERIES S</b>	<b>\$ 10.00</b>	<b>\$ –</b>
<b>SERIES I</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>SERIES J</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>
<b>SERIES O</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>

**Statements of Operations** (in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)*	2011	2010
<b>INCOME (see note 3 in the generic notes)</b>		
Interest	\$ 1 176	\$ 389
<b>TOTAL INCOME (LOSS)</b>	<b>1 176</b>	<b>389</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	20	25
Administration fees	20	8
Board of Governors costs	3	–
GST/HST	5	4
<b>TOTAL EXPENSES</b>	<b>48</b>	<b>37</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>1 128</b>	<b>352</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>		
	\$ 1 128	\$ 352
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>		
<b>SERIES S</b>	<b>\$ 28</b>	<b>\$ –</b>
<b>SERIES I</b>	<b>\$ 140</b>	<b>\$ 186</b>
<b>SERIES J</b>	<b>\$ 1</b>	<b>\$ –</b>
<b>SERIES O</b>	<b>\$ 959</b>	<b>\$ 166</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT</b>		
<b>SERIES S</b>	<b>\$ 0.08</b>	<b>\$ –</b>
<b>SERIES I</b>	<b>\$ 0.10</b>	<b>\$ 0.05</b>
<b>SERIES J</b>	<b>\$ 0.11</b>	<b>\$ 0.05</b>
<b>SERIES O</b>	<b>\$ 0.11</b>	<b>\$ 0.07</b>

\* Fund launched January 2010; Series S launched March 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.

**John S. Montalbano**  
Director

**D. Williams**  
Director

The accompanying notes are an integral part of these financial statements.



**Statements of Changes in Net Assets** (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)*	Series S		Series I		Series J	
	2011	2010	2011	2010	2011	2010
<b>NET ASSETS – BEGINNING OF PERIOD</b>	\$ –	\$ –	\$ 21 798	\$ –	\$ 52	\$ –
<b>INCREASE (DECREASE) FROM OPERATIONS</b>	<b>28</b>	–	<b>140</b>	186	<b>1</b>	–
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	26 010	–	13 442	70 839	–	52
Proceeds from reinvestment of distributions	5	–	140	186	–	–
Payments on redemption of units	(14 004)	–	(15 045)	(49 227)	(40)	–
<b>TOTAL UNIT TRANSACTIONS</b>	<b>12 011</b>	–	<b>(1 463)</b>	21 798	<b>(40)</b>	52
Distributions from net income	(29)	–	(140)	(186)	–	–
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS</b>	<b>(29)</b>	–	<b>(140)</b>	(186)	–	–
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>12 010</b>	–	<b>(1 463)</b>	21 798	<b>(39)</b>	52
<b>NET ASSETS – END OF PERIOD</b>	<b>\$ 12 010</b>	\$ –	<b>\$ 20 335</b>	\$ 21 798	<b>\$ 13</b>	\$ 52

For the periods ended December 31 (see note 2 in the generic notes)*	Series O		Total	
	2011	2010	2011	2010
<b>NET ASSETS – BEGINNING OF PERIOD</b>	\$ 52 239	\$ –	\$ 74 089	\$ –
<b>INCREASE (DECREASE) FROM OPERATIONS</b>	<b>959</b>	166	<b>1 128</b>	352
Early redemption fees	–	–	–	–
Proceeds from units issued	248 050	157 620	287 502	228 511
Proceeds from reinvestment of distributions	961	166	1 106	352
Payments on redemption of units	(203 966)	(105 547)	(233 055)	(154 774)
<b>TOTAL UNIT TRANSACTIONS</b>	<b>45 045</b>	52 239	<b>55 553</b>	74 089
Distributions from net income	(960)	(166)	(1 129)	(352)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
<b>TOTAL DISTRIBUTIONS</b>	<b>(960)</b>	(166)	<b>(1 129)</b>	(352)
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>45 044</b>	52 239	<b>55 552</b>	74 089
<b>NET ASSETS – END OF PERIOD</b>	<b>\$ 97 283</b>	\$ 52 239	<b>\$ 129 641</b>	\$ 74 089

\* Fund launched January 2010; Series S launched March, 2011.





December 31, 2011

**Financial instrument risk and capital management  
(see note 4 in the generic notes)**

**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2011	December 31 2010
R-1 (H)	76.2	66.1
R-1 (M)	7.3	3.1
R-1 (L)	16.5	30.8
Total debt securities	100.0	100.0

**Interest rate risk (%)**

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2011	December 31 2010
0 – 1 months	47.5	44.9
1 – 3 months	44.5	51.6
4 – 6 months	8.0	3.5
7 – 12 months	–	–
Total debt securities	100.0	100.0

Due to the short-term nature of the Fund's investments, the Fund has minimal sensitivity to changes in interest rates.

**Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)**

The following is a summary of the inputs used as of December 31, 2011 and 2010 in the valuation of the Fund's financial instruments carried at fair value.

December 31, 2011	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	129 506	–	129 506
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	–	129 506	–	129 506
<b>% of total portfolio</b>	–	100.0	–	100.0

December 31, 2010	Level 1	Level 2	Level 3	Total
<b>Equities</b>	–	–	–	–
<b>Mutual fund units</b>	–	–	–	–
<b>Fixed-income and debt securities</b>	–	–	–	–
<b>Short-term investments</b>	–	73 985	–	73 985
<b>Derivatives – assets</b>	–	–	–	–
<b>Derivatives – liabilities</b>	–	–	–	–
<b>Total financial instruments</b>	–	73 985	–	73 985
<b>% of total portfolio</b>	–	100.0	–	100.0

Please see the generic notes at the back of the financial statements.

For the years ended December 31, 2011 and 2010, there were no transfers of financial instruments between Level 1 and Level 2.

**Management fees (see note 6 in the generic notes)**

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to the manager for investment-counselling services.

The management fees are calculated at the following annual percentage, before GST/HST, of the daily net asset value of each series of the Fund.

Series S	up to 0.16%
Series I	up to 0.11%
Series J	up to 0.08%

**Operating expenses (see note 6 in the generic notes)**

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series S	0.02%
Series I	0.02%
Series J	0.02%
Series O	0.02%

**Initial investments (\$000s except unit amounts)  
(see note 6 in the generic notes)**

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2011	December 31 2010
<b>Units held</b>		
Series S	1 008	–
Series I	281	90 102
Series J	1 252	5 230
Series O	249	5 235
<b>Value of all units</b>	<b>\$ 28</b>	<b>\$ 1 006</b>

**Taxes (\$000s) (see note 5 in the generic notes)**

The Fund had no capital or non-capital losses as at December 31, 2011.



December 31, 2011

**Unitholders' equity (000s)**

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended December 31  
(see note 2 in the generic notes)

	2011	2010
--	------	------

**Series S**

Opening units	–	–
Issued number of units	2 601	–
Reinvested number of units	–	–
Redeemed number of units	(1 400)	–
Ending number of units	1 201	–

**Series I**

Opening units	2 180	–
Issued number of units	1 345	7 084
Reinvested number of units	14	19
Redeemed number of units	(1 505)	(4 923)
Ending number of units	2 034	2 180

**Series J**

Opening units	5	–
Issued number of units	–	5
Reinvested number of units	–	–
Redeemed number of units	(4)	–
Ending number of units	1	5

**Series O**

Opening units	5 224	–
Issued number of units	24 805	15 762
Reinvested number of units	96	17
Redeemed number of units	(20 397)	(10 555)
Ending number of units	9 728	5 224

**Investments by other related Investment Funds (000s) (see note 6 in the generic notes)**

The following outstanding units of the Fund were held by the following related Investment Funds as at:

	December 31 2011	December 31 2010
<b>Series O</b>		
Phillips, Hager & North Balanced Pension Trust	9 528	–



STATEMENT OF INVESTMENT PORTFOLIO (in U.S.\$ 000s)  
**RBC INSTITUTIONAL US\$ CASH FUND**

December 31, 2011

Par Value	Security	Fair Value	% of Net Assets
<b>BANKERS ACCEPTANCES AND BANK OBLIGATIONS</b>			
\$ 3 545	Bank of Montreal	\$ 3 542	
5 800	Canadian Imperial Bank of Commerce	5 800	
1 410	HSBC Bank Canada	1 409	
6 755	Toronto-Dominion Bank	6 752	
		<b>17 503</b>	<b>24.3</b>
<b>COMMERCIAL PAPER</b>			
250	Bay Street Funding Trust - Class A	250	
1 825	Brookfield Asset Management Inc., Class A	1 823	
3 040	Caisse Centrale Desjardins	3 039	
2 100	Canadian Master Trust – Series A	2 099	
550	Caterpillar Financial Services Ltd.	550	
3 300	Darwin Receivables Trust – Senior Notes	3 298	
3 000	Diversified Trust	2 998	
2 015	Enbridge Inc.	2 015	
1 995	Finning International Inc.	1 995	
1 800	Fusion Trust	1 798	
2 000	Gaz Metropolitan Inc.	1 998	
490	Mccain Financial Canada	490	
3 320	Merit Trust – Senior Notes	3 319	
3 000	Prime Trust – Senior Notes	2 999	
3 125	Reliant Trust	3 122	
3 000	Ridge Trust	2 999	
2 000	SAFE Trust – Series 1996-1	1 998	
1 850	SOUND Trust	1 848	
3 150	SUMMIT Trust	3 148	
1 900	Suncor Energy Inc.	1 899	
3 650	TransCanada PipeLines Ltd.	3 646	
3 150	Zeus Receivables Trust – Senior Notes	3 148	
		<b>50 479</b>	<b>70.1</b>
<b>PROVINCIAL OBLIGATIONS</b>			
4 050	Province of Quebec	4 049	
		<b>4 049</b>	<b>5.6</b>
<b>TOTAL INVESTMENTS*</b>		<b>72 031</b>	<b>100.0</b>
<b>OTHER NET ASSETS</b>		17	–
<b>NET ASSETS</b>		<b>\$ 72 048</b>	<b>100.0</b>

\* Investments, which are grouped by issuer, earn interest at rates ranging from 0.08% to 0.64% and mature between January 3, 2012 and March 30, 2012.



**Statements of Net Assets** (in \$000s except per unit amounts)

December 31 (see note 2 in the generic notes)	2011	2010
<b>ASSETS</b>		
Investments at fair value	\$ 72 031	\$ 56 079
Cash	1	5
Dividends receivable, interest accrued and other assets	17	13
<b>TOTAL ASSETS</b>	<b>72 049</b>	<b>56 097</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	1	1
<b>TOTAL LIABILITIES</b>	<b>1</b>	<b>1</b>
<b>NET ASSETS</b>	<b>\$ 72 048</b>	<b>\$ 56 096</b>
Investments at cost	\$ 72 031	\$ 56 079
<b>NET ASSETS PER SERIES, END OF PERIOD</b>		
<b>SERIES S</b>	\$ 9	\$ –
<b>SERIES I</b>	\$ 10	\$ 15
<b>SERIES J</b>	\$ 9	\$ –
<b>SERIES O</b>	\$ 72 020	\$ 56 081
<b>NET ASSETS PER UNIT, END OF PERIOD</b>		
<b>SERIES S</b>	\$ 10.00	\$ –
<b>SERIES I</b>	\$ 10.00	\$ 10.00
<b>SERIES J</b>	\$ 10.00	\$ 10.00
<b>SERIES O</b>	\$ 10.00	\$ 10.00
<b>NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)</b>		
<b>SERIES S</b>	\$ 10.00	\$ –
<b>SERIES I</b>	\$ 10.00	\$ 10.00
<b>SERIES J</b>	\$ 10.00	\$ 10.00
<b>SERIES O</b>	\$ 10.00	\$ 10.00

**Statements of Operations** (in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)*	2011	2010
<b>INCOME (see note 3 in the generic notes)</b>		
Interest	\$ 157	\$ 98
<b>TOTAL INCOME (LOSS)</b>	<b>157</b>	<b>98</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	–	4
Administration fees	12	7
Board of Governors costs	3	–
GST/HST	2	1
<b>TOTAL EXPENSES</b>	<b>17</b>	<b>12</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>140</b>	<b>86</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
<b>FROM OPERATIONS</b>	\$ 140	\$ 86
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
<b>FROM OPERATIONS</b>		
<b>SERIES S</b>	\$ –	\$ –
<b>SERIES I</b>	\$ –	\$ –
<b>SERIES J</b>	\$ –	\$ 5
<b>SERIES O</b>	\$ 140	\$ 81
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
<b>FROM OPERATIONS PER UNIT</b>		
<b>SERIES S</b>	\$ 0.01	\$ –
<b>SERIES I</b>	\$ 0.01	\$ 0.01
<b>SERIES J</b>	\$ 0.01	\$ 0.01
<b>SERIES O</b>	\$ 0.02	\$ 0.01

\* Fund launched January 2010; Series S launched March 2011.

Approved by the Board of Directors of RBC Global Asset Management Inc.

**John S. Montalbano**  
Director

**D. Williams**  
Director

The accompanying notes are an integral part of these financial statements.



**Statements of Changes in Net Assets** (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)*	Series S		Series I		Series J	
	2011	2010	2011	2010	2011	2010
<b>NET ASSETS – BEGINNING OF PERIOD</b>	\$ –	\$ –	\$ 15	\$ –	\$ –	\$ –
<b>INCREASE (DECREASE) FROM OPERATIONS</b>	–	–	–	–	–	5
Early redemption fees	–	–	–	–	–	–
Proceeds from units issued	9	–	–	15	9	50 000
Proceeds from reinvestment of distributions	–	–	–	–	–	5
Payments on redemption of units	–	–	(5)	–	–	(50 005)
<b>TOTAL UNIT TRANSACTIONS</b>	<b>9</b>	<b>–</b>	<b>(5)</b>	<b>15</b>	<b>9</b>	<b>–</b>
Distributions from net income	–	–	–	–	–	(5)
Distributions from net gains	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(5)</b>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>9</b>	<b>–</b>	<b>(5)</b>	<b>15</b>	<b>9</b>	<b>–</b>
<b>NET ASSETS – END OF PERIOD</b>	<b>\$ 9</b>	<b>\$ –</b>	<b>\$ 10</b>	<b>\$ 15</b>	<b>\$ 9</b>	<b>\$ –</b>

For the periods ended December 31 (see note 2 in the generic notes)*	Series 0		Total	
	2011	2010	2011	2010
<b>NET ASSETS – BEGINNING OF PERIOD</b>	\$ 56 081	\$ –	\$ 56 096	\$ –
<b>INCREASE (DECREASE) FROM OPERATIONS</b>	<b>140</b>	<b>81</b>	<b>140</b>	<b>86</b>
Early redemption fees	–	–	–	–
Proceeds from units issued	57 500	102 500	57 518	152 515
Proceeds from reinvestment of distributions	140	81	140	86
Payments on redemption of units	(41 701)	(46 500)	(41 706)	(96 505)
<b>TOTAL UNIT TRANSACTIONS</b>	<b>15 939</b>	<b>56 081</b>	<b>15 952</b>	<b>56 096</b>
Distributions from net income	(140)	(81)	(140)	(86)
Distributions from net gains	–	–	–	–
Distributions from capital	–	–	–	–
<b>TOTAL DISTRIBUTIONS</b>	<b>(140)</b>	<b>(81)</b>	<b>(140)</b>	<b>(86)</b>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>15 939</b>	<b>56 081</b>	<b>15 952</b>	<b>56 096</b>
<b>NET ASSETS – END OF PERIOD</b>	<b>\$ 72 020</b>	<b>\$ 56 081</b>	<b>\$ 72 048</b>	<b>\$ 56 096</b>

\* Fund launched January 2010; Series S launched March, 2011.



December 31, 2011

**Financial instrument risk and capital management  
(see note 4 in the generic notes)**

**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2011	December 31 2010
R-1 (H)	74.3	71.6
R-1 (M)	5.6	16.7
R-1 (L)	20.1	11.7
Total debt securities	100.0	100.0

**Interest rate risk (%)**

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2011	December 31 2010
0 – 1 months	32.9	49.6
1 – 3 months	67.1	48.6
4 – 6 months	–	1.8
7 – 12 months	–	–
Total debt securities	100.0	100.0

Due to the short-term nature of the Fund's investments, the Fund has minimal sensitivity to changes in interest rates.

**Fair value hierarchy (U.S.\$000s except % amounts) (see note 3 in the generic notes)**

The following is a summary of the inputs used as of December 31, 2011 and 2010 in the valuation of the Fund's financial instruments carried at fair value.

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	72 031	–	72 031
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	72 031	–	72 031
% of total portfolio	–	100.0	–	100.0

December 31, 2010	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	56 079	–	56 079
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	56 079	–	56 079
% of total portfolio	–	100.0	–	100.0

Please see the generic notes at the back of the financial statements.

For the years ended December 31, 2011 and 2010, there were no transfers of financial instruments between Level 1 and Level 2.

**Management fees (see note 6 in the generic notes)**

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to the manager for investment-counselling services.

The management fees are calculated at the following annual percentage, before GST/HST, of the daily net asset value of each series of the Fund.

Series S	up to 0.16%
Series I	up to 0.11%
Series J	up to 0.08%

**Operating expenses (see note 6 in the generic notes)**

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series S	0.02%
Series I	0.02%
Series J	0.02%
Series O	0.02%

**Taxes (CDN \$000s) (see note 5 in the generic notes)**

The Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized capital gains (arising from foreign exchange movements) calculated on a Canadian dollar basis. The Fund may choose not to distribute net realized capital gains calculated on a Canadian dollar basis. Any income taxes payable in respect of capital gains not distributed, which are recoverable in the future, are recorded as refundable capital gains taxes.

The capital losses as at December 31, 2011 for the Fund were \$677. The Fund had no non-capital losses.



December 31, 2011

**Unitholders' equity (000s)**

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended December 31  
(see note 2 in the generic notes)

	2011	2010
<b>Series S</b>		
Opening units	–	–
Issued number of units	1	–
Reinvested number of units	–	–
Redeemed number of units	–	–
Ending number of units	1	–
<b>Series I</b>		
Opening units	2	–
Issued number of units	–	2
Reinvested number of units	–	–
Redeemed number of units	(1)	–
Ending number of units	1	2
<b>Series J</b>		
Opening units	–	–
Issued number of units	1	5 000
Reinvested number of units	–	–
Redeemed number of units	–	(5 000)
Ending number of units	1	–
<b>Series O</b>		
Opening units	5 608	–
Issued number of units	5 750	10 250
Reinvested number of units	14	8
Redeemed number of units	(4 170)	(4 650)
Ending number of units	7 202	5 608

Please see the generic notes at the back of the financial statements.



STATEMENT OF INVESTMENT PORTFOLIO (in \$000s)  
**RBC INSTITUTIONAL LONG CASH FUND**

December 31, 2011

Par Value	Security	Coupon Rate %	Maturity	Cost	Fair Value	% of Net Assets
<b>CANADIAN BONDS</b>						
<b>CORPORATE</b>						
\$ 8 500	Bank of Montreal	5.200	21-Jun-17	\$ 8 782	\$ 8 631	
8 550	Bank of Nova Scotia	5.250	01-Nov-17	8 895	8 780	
4 150	Canadian Credit Card Master Trust	5.365	25-Mar-13	4 354	4 331	
1 800	Canadian Imperial Bank of Commerce	5.000	10-Sep-12	1 882	1 845	
6 550	Canadian Imperial Bank of Commerce	5.150	06-Jun-18	6 904	6 835	
4 300	Cards II Trust	3.048	15-May-13	4 392	4 381	
3 000	Caterpillar Financial Services Ltd.	5.200	03-Jun-13	3 155	3 144	
4 150	Golden Credit Card Trust	5.421	15-Apr-13	4 397	4 347	
1 700	Greater Toronto Airports Authority	6.250	30-Jan-12	1 757	1 706	
4 160	Master Credit Card Trust	5.237	21-May-13	4 382	4 363	
8 550	Toronto-Dominion Bank	5.382	01-Nov-17	8 930	8 790	
2 200	TransCanada PipeLines Ltd.	5.050	20-Aug-13	2 330	2 319	
				60 160	59 472	<b>66.5</b>
<b>FEDERAL</b>						
5 000	Canada Housing Trust No. 1	4.000	15-Jun-12	5 075	5 066	
				5 075	5 066	<b>5.7</b>
				65 235	64 538	<b>72.2</b>
<b>TOTAL CANADIAN BONDS</b>						
<b>UNITED STATES BONDS</b>						
<b>CORPORATE</b>						
500	Bear Stearns Cos LLC CAD	4.350	20-Jul-12	514	506	
500	Merrill Lynch & Co Inc. CAD	4.500	30-Jan-12	507	500	
500	Morgan Stanley CAD	4.500	23-Feb-12	510	499	
				1 531	1 505	<b>1.7</b>
				66 766	66 043	<b>73.9</b>
<b>TOTAL BONDS</b>						
<b>SHORT-TERM INVESTMENTS*</b>						
1 040	Brookfield Asset Management Inc., Class A			1 039	1 039	
17 230	Financement-Quebec			17 147	17 147	
4 725	Province of Ontario			4 710	4 710	
				22 896	22 896	<b>25.5</b>
				89 662	88 939	<b>99.4</b>
<b>OTHER NET ASSETS</b>						
				543	543	<b>0.6</b>
				\$ 90 205	\$ 89 482	<b>100.0</b>

\* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, and are grouped by issuer, earn interest at rates ranging from 0.98% to 1.28% and mature between January 17, 2012 and June 6, 2012.





**Statements of Net Assets** (in \$000s except per unit amounts)

December 31 (see note 2 in the generic notes)	2011	2010
<b>ASSETS</b>		
Investments at fair value	\$ 88 939	\$ 31 754
Cash	7	6
Due from investment dealers	–	3 110
Dividends receivable, interest accrued and other assets	544	204
<b>TOTAL ASSETS</b>	<b>89 490</b>	<b>35 074</b>
<b>LIABILITIES</b>		
Due to investment dealers	–	3 110
Accounts payable and accrued expenses	8	3
<b>TOTAL LIABILITIES</b>	<b>8</b>	<b>3 113</b>
<b>NET ASSETS</b>	<b>\$ 89 482</b>	<b>\$ 31 961</b>
Investments at cost	\$ 89 662	\$ 31 921
<b>NET ASSETS PER SERIES, END OF PERIOD</b>		
<b>SERIES I</b>	<b>\$ 8 664</b>	<b>\$ 11 439</b>
<b>SERIES J</b>	<b>\$ 74 806</b>	<b>\$ 4 573</b>
<b>SERIES O</b>	<b>\$ 6 012</b>	<b>\$ 15 949</b>
<b>NET ASSETS PER UNIT, END OF PERIOD</b>		
<b>SERIES I</b>	<b>\$ 9.64</b>	<b>\$ 9.82</b>
<b>SERIES J</b>	<b>\$ 9.70</b>	<b>\$ 9.83</b>
<b>SERIES O</b>	<b>\$ 9.62</b>	<b>\$ 9.81</b>
<b>NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)</b>		
<b>SERIES I</b>	<b>\$ 9.65</b>	<b>\$ 9.82</b>
<b>SERIES J</b>	<b>\$ 9.71</b>	<b>\$ 9.83</b>
<b>SERIES O</b>	<b>\$ 9.63</b>	<b>\$ 9.82</b>

**Statements of Operations** (in \$000s except per unit amounts)

For the periods ended December 31 (see note 2 in the generic notes)*	2011	2010
<b>INCOME (see note 3 in the generic notes)</b>		
Interest	\$ 1 957	\$ 415
<b>TOTAL INCOME (LOSS)</b>	<b>1 957</b>	<b>415</b>
<b>EXPENSES (see notes – Fund Specific Information)</b>		
Management fees	35	4
Administration fees	11	3
Board of Governors costs	3	–
GST/HST	6	1
<b>TOTAL EXPENSES</b>	<b>55</b>	<b>8</b>
<b>NET INVESTMENT INCOME (LOSS)</b>	<b>1 902</b>	<b>407</b>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>		
Net realized gain (loss) on investments	(430)	(48)
Change in unrealized gain (loss) in value of investments	(556)	(167)
<b>NET GAIN (LOSS) ON INVESTMENTS</b>	<b>(986)</b>	<b>(215)</b>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>		
	\$ 916	\$ 192
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>		
<b>SERIES I</b>	\$ 192	\$ 18
<b>SERIES J</b>	\$ 436	\$ 26
<b>SERIES O</b>	\$ 288	\$ 148
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT</b>		
<b>SERIES I</b>	\$ 0.22	\$ 0.17
<b>SERIES J</b>	\$ 0.12	\$ 0.18
<b>SERIES O</b>	\$ 0.24	\$ 0.19

\* Fund launched January 2010.

Approved by the Board of Directors of RBC Global Asset Management Inc.

**John S. Montalbano**  
Director

**D. Williams**  
Director

The accompanying notes are an integral part of these financial statements.



Statements of Changes in Net Assets (in \$000s)

For the periods ended December 31 (see note 2 in the generic notes)*	Series I		Series J		Series O		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>NET ASSETS – BEGINNING OF PERIOD</b>	\$ 11 439	\$ –	\$ 4 573	\$ –	\$ 15 949	\$ –	\$ 31 961	\$ –
<b>INCREASE (DECREASE) FROM OPERATIONS</b>	<b>192</b>	<b>18</b>	<b>436</b>	<b>26</b>	<b>288</b>	<b>148</b>	<b>916</b>	<b>192</b>
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	2 033	11 421	80 079	4 552	–	15 801	82 112	31 774
Proceeds from reinvestment of distributions	356	72	1 023	55	529	286	1 908	413
Payments on redemption of units	(5 000)	–	(10 282)	(5)	(10 225)	–	(25 507)	(5)
<b>TOTAL UNIT TRANSACTIONS</b>	<b>(2 611)</b>	<b>11 493</b>	<b>70 820</b>	<b>4 602</b>	<b>(9 696)</b>	<b>16 087</b>	<b>58 513</b>	<b>32 182</b>
Distributions from net income	(356)	(72)	(1 023)	(55)	(529)	(286)	(1 908)	(413)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
<b>TOTAL DISTRIBUTIONS</b>	<b>(356)</b>	<b>(72)</b>	<b>(1 023)</b>	<b>(55)</b>	<b>(529)</b>	<b>(286)</b>	<b>(1 908)</b>	<b>(413)</b>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<b>(2 775)</b>	<b>11 439</b>	<b>70 233</b>	<b>4 573</b>	<b>(9 937)</b>	<b>15 949</b>	<b>57 521</b>	<b>31 961</b>
<b>NET ASSETS – END OF PERIOD</b>	<b>\$ 8 664</b>	<b>\$ 11 439</b>	<b>\$ 74 806</b>	<b>\$ 4 573</b>	<b>\$ 6 012</b>	<b>\$ 15 949</b>	<b>\$ 89 482</b>	<b>\$ 31 961</b>

\* Fund launched January 2010.



December 31, 2011

**Financial instrument risk and capital management  
(see note 4 in the generic notes)**

**Credit risk (%)**

The table below summarizes the Fund's credit risk exposure grouped by credit ratings as at:

Rating	December 31 2011	December 31 2010
AAA	34.0	21.3
AA	52.8	61.3
A	13.2	17.4
Total debt securities	100.0	100.0

**Interest rate risk (%)**

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

Term to maturity	December 31 2011	December 31 2010
Less than 1 year	63.8	42.7
1 – 5 years	36.2	57.3
5 – 10 years	–	–
> 10 years	–	–
Total debt securities	100.0	100.0

As at December 31, 2011, had prevailing interest rates risen or lowered by 1%, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 0.7% (December 31, 2010 – 1.1%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

**Fair value hierarchy (\$000s except % amounts) (see note 3 in the generic notes)**

The following is a summary of the inputs used as of December 31, 2011 and 2010 in the valuation of the Fund's financial instruments carried at fair value.

December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	66 043	–	66 043
Short-term investments	–	22 896	–	22 896
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	88 939	–	88 939
% of total portfolio	–	100.0	–	100.0

December 31, 2010	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	–	–	–	–
Fixed-income and debt securities	–	21 647	–	21 647
Short-term investments	–	10 107	–	10 107
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	–	31 754	–	31 754
% of total portfolio	–	100.0	–	100.0

For the years ended December 31, 2011 and 2010, there were no transfers of financial instruments between Level 1 and Level 2.

**Management fees (see note 6 in the generic notes)**

No management fees are payable by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to the manager for investment-counselling services.

The management fees are calculated at the following annual percentage, before GST/HST, of the daily net asset value of each series of the Fund.

Series I	0.11%
Series J	0.08%

**Operating expenses (see note 6 in the generic notes)**

Administration fees payable by each series of the Fund are calculated at the following annual percentages, before GST/HST, of the daily net asset value of each series of the Fund.

Series I	0.02%
Series J	0.02%
Series O	0.02%



December 31, 2011

**Initial investments (\$000s except unit amounts)  
(see note 6 in the generic notes)**

Royal Bank of Canada, or one of its subsidiaries, held the following investments in the Fund as at:

	December 31 2011	December 31 2010
<b>Units held</b>		
Series I	1 321	102 621
Series J	106	103
Series O	107	103
<b>Value of all units</b>	<b>\$ 15</b>	<b>\$ 1 010</b>

**Taxes (\$000s) (see note 5 in the generic notes)**

The capital losses as at December 31, 2011 for the Fund were \$463. The Fund had no non-capital losses.

**Unitholders' equity (000s)**

The unitholders' equity of the Fund includes amounts representing units, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of units available for issue. Units are purchased and redeemed at the transactional NAV per unit.

For the periods ended December 31  
(see note 2 in the generic notes)

	2011	2010
<b>Series I</b>		
Opening units	1 165	–
Issued number of units	208	1 158
Reinvested number of units	37	7
Redeemed number of units	(511)	–
Ending number of units	899	1 165
<b>Series J</b>		
Opening units	465	–
Issued number of units	8 188	460
Reinvested number of units	105	6
Redeemed number of units	(1 050)	(1)
Ending number of units	7 708	465
<b>Series O</b>		
Opening units	1 625	–
Issued number of units	1	1 596
Reinvested number of units	54	29
Redeemed number of units	(1 055)	–
Ending number of units	625	1 625

Please see the generic notes at the back of the financial statements.



December 31, 2011

## 1. The Funds

The mutual funds (“Funds”) are open-ended mutual fund trusts governed by the laws of British Columbia and governed by a Master Declaration of Trust. RBC GAM is the manager, portfolio advisor, distributor and registrar of the Funds.

The Funds may issue an unlimited number of units in some or all of Series S, Series I, Series J, and Series O.

Series S, Series I, Series J and Series O units are only available to large private and institutional investors as we may determine on a case-by-case basis.

## 2. Financial year/period

The information provided in these financial statements and notes thereto is for the 12-month periods ended or as at December 31, 2011 and 2010. In the year a Fund or series is established, “period” represents the period from inception to December 31 of that fiscal year.

## 3. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), which include estimates and assumptions by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported periods. Actual results may differ from estimates. The significant accounting policies of the Funds are as follows:

**Valuation of Investments** The valuation methods used to calculate the daily net asset value to transact units of the Funds, as described in the Funds’ Annual Information Form (“transactional NAV”) are not identical to the GAAP accounting policies used to determine the financial statement net assets (“net assets”) described below. The primary difference between net assets and transactional NAV relates to valuation of actively traded securities at bid prices for net assets and at last sale prices for transactional NAV.

In accordance with the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862, *Financial Instruments – Disclosures*, the Funds’ financial instruments, measured at fair value using a three-tier hierarchy based on inputs used to value the Funds’ investments and derivatives. The hierarchy of inputs is summarized below:

*Level 1* – quoted prices (unadjusted) in active markets for identical assets or liabilities;

*Level 2* – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

*Level 3* – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment’s assigned level.

The three-tier hierarchy of investments and derivatives is included in “Notes to Financial Statements – Fund Specific Information.”

Investments are recorded at fair value, which is determined as follows:

*Fixed-income and Debt Securities* – Bonds, mortgage-backed securities and debentures are valued at the current bid price quoted by major dealers in such securities.

*Short-term Investments* – Short-term investments are valued at their cost including applicable foreign exchange translations. This value, together with accrued interest, approximates fair value using current bid prices.

*Fair Valuation of Investments (including unlisted securities)* – If the accounting policies described above are not appropriate, the manager will estimate the fair value of an investment using established fair valuation procedures such as: consideration of public information, broker quotes, valuation models, fundamental analysis, matrix pricing, discounts from market prices of similar securities, or discounts applied due to restrictions on the disposition of securities, and external fair value service providers.

**Foreign Exchange** The value of investments and other assets and liabilities in foreign currencies is translated into Canadian dollars (U.S. dollars in the case of the RBC Institutional US\$ Cash Fund) at the rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

**Valuation of Series** A different net asset value is calculated for each series of units of a Fund. The net asset value of a particular series of units is computed by calculating the value of the series’ proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative net asset value of each series. Expenses are accrued daily.



December 31, 2011

**Investment Transactions** Investment transactions are accounted for as of the trade date, and realized and unrealized gains and losses are calculated on an average cost basis. Transaction costs, such as brokerage commissions, incurred by the Funds are recorded in the Statements of Operations for the period. The period change in the difference between fair value and average cost of securities represents unrealized gains and losses. Realized and unrealized gains and losses are included in the Statements of Operations. The basis of determining the cost of portfolio assets is average cost.

**Income Recognition** Interest income is recognized as accrued.

**Increase (Decrease) in Net Assets from Operations Per Unit** Increase (decrease) in net assets from operations per unit in the Statements of Operations represents the increase (decrease) in net assets from operations by series, divided by the average units outstanding per series during the period.

**Early Redemption Fees.** Early redemption fees (short-term trading fees) are paid directly to the Fund, and are designed to deter excessive trading and its associated costs. With the exception of money market funds, a Fund may apply a fee of 2% of the current value of units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund.

#### 4. Financial instrument risk and capital management

The manager is responsible for managing each Fund's capital which is its net assets and consists primarily of its financial instruments. A Fund's investment activities expose it to a variety of financial risks. The manager seeks to minimize potential adverse effects of these risks on a Fund's performance by employing professional, experienced portfolio advisors, daily monitoring of the Fund's holdings and market events, diversifying its investment portfolio within the constraints of its investment objectives, and, in some cases, periodically hedging certain risk exposures through the use of derivatives. To assist in managing risks, the manager also uses internal guidelines, maintains a governance structure that oversees each Fund's investment activities and monitors compliance with the Fund's investment strategies, internal guidelines, and securities regulations.

##### **Liquidity risk**

Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. A Fund is exposed to daily cash redemptions of redeemable units.

Liquidity risk is managed by investing the majority of a Fund's assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulations, a Fund must maintain at least 90% of assets in liquid investments. In addition, a Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

##### **Credit risk**

Credit risk is the risk that a loss could arise from a security issuer or counterparty not being able to meet its financial obligations. The carrying amount of investments and other assets represents the maximum credit risk exposure as disclosed in a Fund's Statements of Net Assets. The fair value of fixed-income and debt securities includes a consideration of the credit worthiness of the debt issuer. Credit risk exposure to over-the-counter derivative instruments is based on a Fund's unrealized gain on the contractual obligations with the counterparty. The manager monitors each Fund's credit exposure and counterparty ratings daily.

##### **Interest rate risk**

Interest rate risk is the risk that the fair value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The value of fixed-income and debt securities, such as bonds, debentures, mortgages, or other income-producing securities is affected by interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

#### 5. Taxes

The Funds qualify as open-ended unit trusts under the *Income Tax Act* (Canada). In general, the Funds are subject to income tax, however, no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. In addition, for mutual fund trusts, income taxes payable on net realized capital gains, are refundable on a formula basis when units of the Funds are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Non-capital losses may be carried forward to reduce future taxable income for up to twenty years.



December 31, 2011

## 6. Administrative and other related-party transactions

### *Manager, Portfolio Advisor, Distributor and Registrar*

Effective November 1, 2010, RBC Asset Management Inc. and its affiliate, Phillips, Hager & North Investment Management Ltd., have amalgamated and continue as one corporate entity, RBC Global Asset Management Inc., an indirect wholly-owned subsidiary of Royal Bank of Canada ("Royal Bank"). For the purposes of these financial statements, references to "RBC GAM" are intended to refer to Phillips, Hager & North Investment Management Ltd. (prior to November 1, 2010) and the amalgamated entity RBC Global Asset Management Inc. (after November 1, 2010).

RBC GAM is the manager, portfolio advisor, distributor and registrar of the Funds. RBC GAM is responsible for the day-to-day operations, provides investment advice and portfolio management services to the Funds. RBC GAM, as registrar, also keeps records of who owns units of the Funds. RBC GAM is paid a management fee by the Funds as compensation for its services. No management fees are paid by the Funds with respect to Series O units. Series O unitholders pay a negotiated fee directly to the manager for investment-counselling services.

The Funds pay a fixed administration fee to RBC GAM. RBC GAM in turn pays certain operating expenses of the Funds. These expenses include regulatory filing fees and other day-to-day operating expenses including, but not limited to, recordkeeping, accounting and fund valuation costs, custody fees, audit and legal fees, the costs of preparing and distributing annual and semi-annual reports, prospectuses and statements and investor communications.

Notwithstanding the fixed administration fee, the Funds also pay certain operating expenses directly, including the costs related to the Board of Governors ("BoG") of the Funds and the cost of any new government or regulatory requirements introduced and any borrowing costs (collectively, *other fund costs*), and taxes (including, but not limited to, GST/HST). Other Fund costs will be allocated among each series of units of a fund in accordance with the services used. RBC GAM may, in some years and in certain cases, absorb a portion of operating expenses. The decision to absorb the operating expenses is reviewed annually and determined at the discretion of RBC GAM, without notice to unitholders.

Certain Funds may invest in units of other Funds managed by RBC GAM or its affiliates.

Affiliates of RBC GAM that provide services to the Funds in the course of their normal businesses are discussed below.

### *Brokerage*

The Funds have established standard brokerage agreements at market rates with related-party dealers.

### *Trustee and Custodian*

RBC Dexia Investor Services Trust ("RBC Dexia") is the trustee and custodian of the Funds. RBC Dexia is paid custodial fees for holding the assets of, and trustee fees for acting as the trustee of the Funds. The fees paid to RBC Dexia are paid by RBC GAM and not the Funds.

### *Other Related-Party Transactions*

Pursuant to applicable securities legislation, the Funds relied on the standing instructions from the BoG in its capacity as the Independent Review Committee with respect to one or more of the following related-party transactions:

#### *Related-Party Trading Activities*

- (a) trades in securities of Royal Bank;
- (b) investments in the securities of issuers for which a related-party dealer acted as an underwriter during the distribution of such securities and the 60-day period following the conclusion of such distribution of the underwritten securities to the public;
- (c) purchases of equity and debt securities from or sales of equity or debt securities to a related-party dealer, where it acted as principal; and

#### *Inter-Fund Trading*

- (d) purchases or sales of securities of an issuer from or to another investment fund or managed account managed by RBC GAM.

The applicable standing instructions require that Related-Party Trading Activities and Inter-Fund Trading be conducted in accordance with RBC GAM policy and that RBC GAM advise the BoG of a material breach of any standing instruction. RBC GAM policy requires that an investment decision in respect of Related-Party Trading Activities

- (i) is made in the best interests of the Funds and free from any influence of Royal Bank or its associates or affiliates and without taking into account any consideration relevant to Royal Bank or its affiliates or associates, (ii) represents the business judgment of the portfolio manager, uninfluenced by considerations other than the best interests of the Funds, (iii) is in compliance with RBC GAM policies and



December 31, 2011

procedures; and (iv) achieves a fair and reasonable result for the Funds. RBC GAM policy requires that an investment decision in respect of Inter-Fund Trading is in the best interests of each Fund.

## **7. Future accounting changes**

### ***International Financial Reporting Standards***

The Funds will be required to adopt the International Financial Reporting Standards (“IFRS”) beginning in their fiscal 2014 year. In preparation to meet the requirements, the manager has taken the following steps in managing the transition to IFRS:

- (a) Established a committee for the development and implementation of a transition plan and to provide oversight of the transition to IFRS;
- (b) Commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS; and,
- (c) Initiated analysis to reconfigure accounting systems used by the Funds.

The key elements of the plan currently include disclosure of the quantitative impact, if any, in the 2013 financial statements and the preparation of the 2014 financial statements in accordance with IFRS.

Since IFRS standards are constantly evolving, the major qualitative impacts based on standards approved to date are the addition of a cash flow statement and the impact of classification of puttable instruments, the units of the Fund, as a liability or as an equity.

Regardless of the financial statement impacts, the manager has presently determined that there will be no quantitative impact to the Net Asset Value per Unit (“transactional NAV”) of each series as a result of the changeover to IFRS.





December 31, 2011

On January 1, 2011, the Board of Governors became the independent review committee of the RBC Institutional Cash Funds. The Board of Governors was first established in 1994 to provide advice to RBC Global Asset Management Inc. regarding conflicts of interest in fund management. All of the members of the Board of Governors are independent of RBC Global Asset Management Inc. and RBC Financial Group.

In its capacity as the independent review committee, the Board of Governors provides input on conflict of interest matters in respect of RBC Global Asset Management Inc. and the RBC Institutional Cash Funds. At least once per year, the Board of Governors reviews and assesses the adequacy and effectiveness of the fund manager's policies and procedures relating to conflict of interest matters.

The Board of Governors is responsible for reviewing and assessing the independence of its members, the compensation of its members, and the effectiveness of the Board of Governors, its subcommittees and its members. In order to effectively manage its workload, the Board of Governors has three subcommittees: the Financial Advisory Committee, the Investment Conflicts Committee and the Governance Committee.

The Board of Governors has also been asked by RBC Global Asset Management Inc. to maintain its important role of providing advice on other issues relating to the management of the RBC Institutional Cash Funds. This includes the role of the Financial Advisory Committee of the Board of Governors to provide advice concerning financial reporting, the audit process and financial internal controls.

The annual report of the Board of Governors describing its activities as the independent review committee of the RBC Institutional Cash Funds is available under Mutual Fund Governance at [www.rbcgam.com](http://www.rbcgam.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

If you have any questions or comments about the Board of Governors or its committees, please let us know by contacting Nancy Church, Secretary to the Board of Governors, at the address below.

**Lloyd R. McGinnis, OC, PEng**  
Chair of the Board of Governors

**Board of Governors**

Attention: Nancy Church  
RBC Global Asset Management Inc.  
P.O. Box 7500, Station A  
Toronto, Ontario M5W 1P9

## Board of Governors

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**Chair of the Board of Governors**  
**Director**

Airport Site Development  
Winnipeg Airports Authority

**Michael G. Thorley<sup>1,4</sup>**  
**Vice Chair of the Board of**  
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Retired Lawyer  
Toronto, Ontario

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Financial Consultant  
Mississauga, Ontario

**Charles F. Macfarlane<sup>1,3</sup>**  
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**James W. Yuel<sup>6</sup>**  
Chair  
PIC Investment Group Inc.  
Saskatoon, Saskatchewan

<sup>1</sup> Member of the Financial Advisory Committee  
<sup>2</sup> Chair of the Financial Advisory Committee  
<sup>3</sup> Member of the Investment Conflicts Committee  
<sup>4</sup> Chair of the Investment Conflicts Committee  
<sup>5</sup> Chair of the Governance Committee  
<sup>6</sup> Member of the Governance Committee





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