



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

We have maintained appropriate procedures and controls to ensure that timely 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.

Although the Board of Directors of RBC Corporate Class Inc. is solely responsible for approving the financial statements and overseeing management's financial reporting responsibilities along with RBC GAM, the Financial Advisory Committee of the Board of Governors provides advice to RBC GAM concerning financial reporting, the audit process and internal controls. Please see *The Role of the Board of Governors* at the end of this report.

Deloitte LLP, Independent Chartered Professional Accountants, Chartered Accountants, have performed an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. Their report is set out on the next page.

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

May 9, 2014

Frank Lippa, CPA, CA
Chief Financial Officer and Chief Operating Officer
RBC Global Asset Management Inc.



To the Shareholders of the following classes of RBC Corporate Class Inc.:

RBC Short Term Income Class	RBC Select Balanced Class	RBC U.S. Dividend Class
RBC Bond Capital Class	RBC Select Growth Class	RBC U.S. Equity Class
Phillips, Hager & North Total Return Bond Capital Class	RBC Select Aggressive Growth Class	Phillips, Hager & North U.S. Multi-Style All-Cap Equity Class
RBC High Yield Bond Capital Class	RBC Canadian Dividend Class	Phillips, Hager & North Overseas Equity Class
BlueBay Global Convertible Bond Class (Canada)	RBC Canadian Equity Class	RBC Emerging Markets Equity Class
Phillips, Hager & North Monthly Income Class	RBC Canadian Equity Income Class	RBC Global Resources Class
RBC Select Very Conservative Class	RBC Canadian Mid-Cap Equity Class	(collectively referred to as the "Funds")
RBC Select Conservative Class	RBC North American Value Class	

We have audited the accompanying financial statements of each of the Funds, which comprise the statement of investment portfolio as at March 31, 2014, the statements of net assets as at March 31, 2014 and 2013 (as applicable) 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 audits 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 judgment, 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 March 31, 2014 and 2013 (as applicable) and the results of their operations and changes in their net assets for the years or periods (since establishment of the Funds) then ended in accordance with Canadian generally accepted accounting principles.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants,
Licensed Public Accountants
May 9, 2014
Toronto, Ontario



STATEMENT OF INVESTMENT PORTFOLIO (in \$000s)
RBC HIGH YIELD BOND CAPITAL CLASS

March 31, 2014

Number of Units	Security	Cost	Fair Value	% of Net Assets
LIMITED PARTNERSHIP UNITS				
24 834 524	RBC High Yield Bond LP*	\$ 259 168	\$ 291 803	
TOTAL LIMITED PARTNERSHIP UNITS		<u>259 168</u>	<u>291 803</u>	100.7
TOTAL INVESTMENTS		<u>\$ 259 168</u>	<u>291 803</u>	100.7
OTHER NET ASSETS (LIABILITIES)			<u>(2 026)</u>	(0.7)
NET ASSETS			<u>\$ 289 777</u>	100.0

* Investment in related party (see note 6 in the generic notes).



Statements of Net Assets (in \$000s except per mutual fund share amounts)

March 31 (see note 2 in the generic notes)	2014	2013
ASSETS		
Investments at fair value	\$ 291 803	\$ 386 202
Cash	2 540	–
Subscriptions receivable	–	830
TOTAL ASSETS	294 343	387 032
LIABILITIES		
Bank overdraft	–	174
Redemptions payable	4 449	186
Accounts payable and accrued expenses	117	166
TOTAL LIABILITIES	4 566	526
NET ASSETS	\$ 289 777	\$ 386 506

Investments at cost	\$ 259 168	\$ 363 064
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NET ASSETS, END OF PERIOD

SERIES A	\$ 23 551	\$ 37 919
ADVISOR SERIES	\$ 34 105	\$ 49 483
SERIES H	\$ 12 390	\$ 19 458
SERIES D	\$ 5 136	\$ 5 892
SERIES F	\$ 18 472	\$ 29 373
SERIES I	\$ 10 651	\$ 15 732
SERIES O	\$ 185 472	\$ 228 649

NET ASSETS PER MUTUAL FUND SHARE, END OF PERIOD

SERIES A	\$ 11.01	\$ 10.89
ADVISOR SERIES	\$ 11.00	\$ 10.89
SERIES H	\$ 11.04	\$ 10.90
SERIES D	\$ 11.11	\$ 10.94
SERIES F	\$ 11.14	\$ 10.96
SERIES I	\$ 11.17	\$ 10.97
SERIES O	\$ 11.36	\$ 11.07

NET ASSET VALUE (TRANSACTIONAL NAV)

PER MUTUAL FUND SHARE, END OF PERIOD

(see note 3 in the generic notes)

SERIES A	\$ 11.01	\$ 10.89
ADVISOR SERIES	\$ 11.00	\$ 10.89
SERIES H	\$ 11.04	\$ 10.90
SERIES D	\$ 11.11	\$ 10.94
SERIES F	\$ 11.14	\$ 10.96
SERIES I	\$ 11.17	\$ 10.97
SERIES O	\$ 11.36	\$ 11.07

Statements of Operations (in \$000s except per mutual fund share amounts)

For the periods ended March 31 (see note 2 in the generic notes)*	2014	2013
INCOME (see note 3 in the generic notes)		
Interest	\$ (1)	\$ 2
TOTAL INCOME (LOSS)	(1)	2
EXPENSES (see notes – Fund Specific Information)		
Management fees	1 359	1 041
Administration fees	78	63
Board of Directors fees	38	51
Board of Governors costs	3	3
GST/HST	176	118
TOTAL EXPENSES	1 654	1 276
Less expenses reimbursed by manager	–	(3)
TOTAL EXPENSES NET OF REIMBURSEMENT	1 654	1 273
NET INVESTMENT INCOME (LOSS)	(1 655)	(1 271)

REALIZED AND UNREALIZED GAIN (LOSS)

ON INVESTMENTS

Net realized gain (loss) on investments	7 674	485
Change in unrealized gain (loss) on investments	9 497	22 445
NET GAIN (LOSS) ON INVESTMENTS	17 171	22 930

INCREASE (DECREASE) IN NET ASSETS

FROM OPERATIONS	\$ 15 516	\$ 21 659
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INCREASE (DECREASE) IN NET ASSETS

FROM OPERATIONS

SERIES A	\$ 1 064	\$ 1 680
ADVISOR SERIES	\$ 1 546	\$ 2 202
SERIES H	\$ 674	\$ 460
SERIES D	\$ 236	\$ 241
SERIES F	\$ 964	\$ 1 676
SERIES I	\$ 554	\$ 694
SERIES O	\$ 10 478	\$ 14 706

INCREASE (DECREASE) IN NET ASSETS

FROM OPERATIONS PER MUTUAL FUND SHARE

SERIES A	\$ 0.41	\$ 0.73
ADVISOR SERIES	\$ 0.40	\$ 0.72
SERIES H	\$ 0.43	\$ 0.43
SERIES D	\$ 0.47	\$ 0.72
SERIES F	\$ 0.47	\$ 0.83
SERIES I	\$ 0.50	\$ 0.51
SERIES O	\$ 0.58	\$ 0.91

* Series H and Series I launched July 2012.

Approved by the Board of Directors of RBC Corporate Class Inc.

Doug Coulter
Director

Frank Lippa
Director

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



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

For the periods ended March 31 (see note 2 in the generic notes)*	Series A		Advisor Series		Series H		Series D	
	2014	2013	2014	2013	2014	2013	2014	2013
NET ASSETS – BEGINNING OF PERIOD	\$ 37 919	\$ 9 600	\$ 49 483	\$ 13 844	\$ 19 458	\$ –	\$ 5 892	\$ 490
INCREASE (DECREASE) FROM OPERATIONS	1 064	1 680	1 546	2 202	674	460	236	241
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from mutual fund shares issued	395	33 323	331	39 454	1 165	19 749	81	5 985
Proceeds from reinvestment of distributions	1 112	–	1 235	–	486	–	172	–
Payments on redemption of mutual fund shares	(15 785)	(6 684)	(16 968)	(6 017)	(8 789)	(751)	(1 067)	(824)
TOTAL MUTUAL FUND SHARE TRANSACTIONS	(14 278)	26 639	(15 402)	33 437	(7 138)	18 998	(814)	5 161
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	(1 154)	–	(1 522)	–	(604)	–	(178)	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(1 154)	–	(1 522)	–	(604)	–	(178)	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	(14 368)	28 319	(15 378)	35 639	(7 068)	19 458	(756)	5 402
NET ASSETS – END OF PERIOD	\$ 23 551	\$ 37 919	\$ 34 105	\$ 49 483	\$ 12 390	\$ 19 458	\$ 5 136	\$ 5 892

For the periods ended March 31 (see note 2 in the generic notes)*	Series F		Series I		Series O		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
NET ASSETS – BEGINNING OF PERIOD	\$ 29 373	\$ 11 822	\$ 15 732	\$ –	\$ 228 649	\$ 92 253	\$ 386 506	\$ 128 009
INCREASE (DECREASE) FROM OPERATIONS	964	1 676	554	694	10 478	14 706	15 516	21 659
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from mutual fund shares issued	860	31 296	244	17 875	64	149 579	3 140	297 261
Proceeds from reinvestment of distributions	694	–	283	–	1 223	–	5 205	–
Payments on redemption of mutual fund shares	(12 559)	(15 421)	(5 678)	(2 837)	(47 968)	(27 889)	(108 814)	(60 423)
TOTAL MUTUAL FUND SHARE TRANSACTIONS	(11 005)	15 875	(5 151)	15 038	(46 681)	121 690	(100 469)	236 838
Distributions from net income	–	–	–	–	–	–	–	–
Distributions from net gains	(860)	–	(484)	–	(6 974)	–	(11 776)	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(860)	–	(484)	–	(6 974)	–	(11 776)	–
TOTAL INCREASE (DECREASE) IN NET ASSETS	(10 901)	17 551	(5 081)	15 732	(43 177)	136 396	(96 729)	258 497
NET ASSETS – END OF PERIOD	\$ 18 472	\$ 29 373	\$ 10 651	\$ 15 732	\$ 185 472	\$ 228 649	\$ 289 777	\$ 386 506

* Series H and Series I launched July 2012.



March 31, 2014

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

The Fund invests directly in the RBC High Yield Bond LP and invests indirectly in the RBC High Yield Bond Trust. The Fund's exposure to financial instrument risk is based on the mutual fund asset mix of the indirect investment.

Credit risk (%)

The table below summarizes the RBC High Yield Bond Trust's exposure to credit risk grouped by credit ratings as at:

Rating	March 31 2014	March 31 2013
A	0.5	1.2
BBB	10.6	16.5
BB	46.7	40.5
B	40.6	40.4
CCC	1.6	1.4
Total	100.0	100.0

Interest rate risk (%)

The table below summarizes the RBC High Yield Bond Trust's exposure to interest rate risk by remaining term to maturity from investments in mutual fund units as at:

Term to maturity	March 31 2014	March 31 2013
Less than 1 year	–	0.1
1 – 5 years	20.9	25.8
5 – 10 years	79.1	71.2
> 10 years	–	2.9
Total	100.0	100.0

As at March 31, 2014, 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 3.8% (March 31, 2013 – 3.5%). 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 March 31, 2014 and 2013 in the valuation of the Fund's financial instruments carried at fair value.

March 31, 2014	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	291 803	–	–	291 803
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	291 803	–	–	291 803
% of total portfolio	100.0	–	–	100.0

March 31, 2013	Level 1	Level 2	Level 3	Total
Equities	–	–	–	–
Mutual fund units	386 202	–	–	386 202
Fixed-income and debt securities	–	–	–	–
Short-term investments	–	–	–	–
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	–	–	–
Total financial instruments	386 202	–	–	386 202
% of total portfolio	100.0	–	–	100.0

For the periods ended March 31, 2014 and 2013, there were no transfers of financial instruments between Level 1 and Level 2.

Management fees (see note 7 in the generic notes)

No management fees are payable by the Fund with respect to Series O mutual fund shares. Series O shareholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

Management fees of the other 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 A	1.25%
Advisor Series	1.25%
Series H	1.10%
Series D	0.90%
Series F	0.75%
Series I	0.60%



March 31, 2014

Operating expenses (see note 7 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 A	0.03%
Advisor Series	0.03%
Series H	0.03%
Series D	0.03%
Series F	0.03%
Series I	0.03%
Series O	0.02%

Initial investments (\$000s except mutual fund share amounts)

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

	March 31 2014	March 31 2013
Mutual fund shares held		
Series A	52	50
Advisor Series	52	50
Series H	100	97
Series D	52	50
Series F	52	50
Series I	100	97
Value of all mutual fund shares	\$ 4	\$ 4

Shareholders' equity (000s)

The shareholders' equity of the Fund includes amounts representing mutual fund shares, undistributed net income (loss), realized gain (loss) on investments and unrealized gain (loss) on investments. There is no limitation on the number of mutual fund shares available for issue. Mutual fund shares are purchased and redeemed at the transactional NAV per mutual fund share.

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

	2014	2013
Series A		
Opening mutual fund shares	3 483	948
Issued number of mutual fund shares	37	3 166
Reinvested number of mutual fund shares	104	–
Redeemed number of mutual fund shares	(1 485)	(631)
Ending number of mutual fund shares	2 139	3 483
Advisor Series		
Opening mutual fund shares	4 546	1 368
Issued number of mutual fund shares	31	3 745
Reinvested number of mutual fund shares	116	–
Redeemed number of mutual fund shares	(1 593)	(567)
Ending number of mutual fund shares	3 100	4 546

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

	2014	2013
Series H		
Opening mutual fund shares	1 785	–
Issued number of mutual fund shares	107	1 855
Reinvested number of mutual fund shares	46	–
Redeemed number of mutual fund shares	(816)	(70)
Ending number of mutual fund shares	1 122	1 785
Series D		
Opening mutual fund shares	539	48
Issued number of mutual fund shares	7	568
Reinvested number of mutual fund shares	16	–
Redeemed number of mutual fund shares	(100)	(77)
Ending number of mutual fund shares	462	539
Series F		
Opening mutual fund shares	2 680	1 166
Issued number of mutual fund shares	80	2 973
Reinvested number of mutual fund shares	65	–
Redeemed number of mutual fund shares	(1 167)	(1 459)
Ending number of mutual fund shares	1 658	2 680
Series I		
Opening mutual fund shares	1 434	–
Issued number of mutual fund shares	23	1 696
Reinvested number of mutual fund shares	26	–
Redeemed number of mutual fund shares	(530)	(262)
Ending number of mutual fund shares	953	1 434
Series O		
Opening mutual fund shares	20 649	9 084
Issued number of mutual fund shares	6	14 135
Reinvested number of mutual fund shares	113	–
Redeemed number of mutual fund shares	(4 434)	(2 570)
Ending number of mutual fund shares	16 334	20 649

Subsequent event

The Canadian government's 2013 federal budget included provisions to eliminate the capital gains tax treatment associated with forward agreements as of December 31, 2014. In response to the foregoing change in tax treatment, RBC GAM capped further investments in the Fund and has announced that, subject to the receipt of necessary shareholder and regulatory approvals, effective September 12, 2014, the Fund will be terminated and units of a corresponding RBC mutual fund trust will be distributed to shareholders on termination. The termination of the Fund will be considered a taxable disposition.



March 31, 2014

1. The Funds

The mutual funds (“Fund” or “Funds”) are classes of mutual fund shares of RBC Corporate Class Inc. (the “Corporation”). The Corporation is a mutual fund corporation incorporated under the laws of Canada by articles of incorporation dated July 8, 2011. RBC GAM is the manager and portfolio advisor of the Funds.

The Funds may issue an unlimited number of mutual fund shares in some or all of Series A, Advisor Series, Advisor Series T5, Series T5, Series H, Series D, Series F, Series FT5, Series I and Series O.

Series A and Series T5 mutual fund shares have no sales charges and are available to all investors. Series T5 shareholders receive regular monthly distributions.

Advisor Series and Advisor T5 Series mutual fund shares are available to all investors with an initial sales charge or low-load sales charge option. Under the initial sales charge option, investors pay a sales commission ranging from 0% to 5% of the amount invested. Under the low-load sales charge option, investors do not pay a commission. Advisor T5 Series shareholders receive regular monthly distributions, but a sales charge of 2.0% will be charged if you redeem your mutual fund shares within two years of buying them. The charge is based on the original cost of your mutual fund shares and how long you held them. We deduct the charge from the value of the mutual fund shares you redeem.

Series H mutual fund shares have no sales charges, have lower fees than Series A mutual fund shares and are only available to investors who invest and maintain the required minimum balance.

Series D mutual fund shares have no sales charges and have lower fees than Series A mutual fund shares. Series D mutual fund shares are only available to investors who have accounts with RBC Direct Investing Inc. or Phillips, Hager & North Investment Funds Ltd.

Series F and Series FT5 mutual fund shares have no sales charges and have lower fees than Series A mutual fund shares. Series F mutual fund shares are only available to investors who have accounts with dealers who have signed a fee-based agreement with RBC GAM. Series FT5 shareholders receive regular monthly distributions.

Series I mutual fund shares have no sales charges, have lower fees than Series F mutual fund shares and are only available to investors who invest and maintain the required minimum balance and who have accounts with dealers who have signed a fee-based agreement with RBC GAM.

Series O mutual fund shares have no management fees. Series O shareholders pay a negotiated fee directly to RBC GAM.

2. Financial year/period

The information provided in these financial statements and notes thereto is for the 12-month period ended or as at March 31, 2014 and 2013. In the year a Fund or series is established, “period” represents the period from inception to March 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 made by management that may affect the reported amounts of assets (primarily valuation of investments), liabilities, income and expenses during the reported period. 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 (“transactional NAV”), as described in the Funds’ Annual Information Form, 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 Chartered Professional Accountants of Canada Handbook Section 3862, *Financial Instruments – Disclosures*, the Funds’ financial instruments are 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:

Mutual Fund Share Valuation – Mutual fund shares or limited partnership units of Funds are valued at their respective transactional NAV per mutual fund share received from fund companies on the relevant valuation dates.

Valuation of Series A different net asset value is calculated for each series of mutual fund shares of a Fund. The net asset value of a particular series of mutual fund shares 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.

Investment Transactions Investment transactions are accounted for as of the trade date. The period change in the difference between fair value and average cost of securities represents unrealized gains and losses. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost.

Income Recognition Interest income is recognized on an accrual basis. “Other revenue” includes income earned by a Fund from investments in underlying funds.

Increase (Decrease) in Net Assets from Operations Per Mutual Fund Share Increase (decrease) in net assets from operations per mutual fund share in the Statements of Operations represents the increase (decrease) in net assets from operations by series, divided by the average mutual fund shares outstanding per series during the period.

Early Redemption Fees Early redemption fees (short-term trading fees) are paid directly to a 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 mutual fund shares if the shareholder redeems or switches out mutual fund shares within seven days of purchasing or previously switching into a Fund.

4. Financial instrument risk and capital management

RBC GAM 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. RBC GAM 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, RBC GAM 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 mutual fund shares. 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 its 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. RBC GAM 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.

Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than Canadian dollars is affected by changes in the value of the Canadian dollar or a Fund's functional currency, in relation to the value of the currency in which the investment is denominated. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investments rises. When the value of the Canadian dollar rises, the value of foreign investments falls.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

5. Taxes

The Corporation qualifies as a mutual fund corporation under the *Income Tax Act* (Canada) and is subject to tax on the amount of its taxable income in each taxation year, ending March 31.

Each Fund represents a class of mutual fund shares of the Corporation. All classes of the mutual fund shares of the Corporation are combined as a single legal entity for tax purposes in computing the net income (loss) and net capital gains (losses). Net losses of one class may be used to offset net gains of another class to reduce the net income or net gain of the Corporation as a whole.

Taxable dividends received from taxable Canadian corporations are subject to a tax of 33%. Such taxes are fully refundable upon payment of taxable dividends to its shareholders on a basis of \$1 for every \$3 of dividends paid. Any such tax paid is reported as an amount receivable until recovered through the payment to shareholders of dividends

out of net investment income. Interest income and foreign dividends, net of applicable expense, are taxed at full corporate rates applicable to mutual fund corporations with credits, subject to certain limitations for foreign taxes paid. All tax on net realized taxable capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption of shares at the request of shareholders. Income taxes, if any, are allocated to the classes of shares of the Corporation on a fair and reasonable basis.

Temporary differences between the tax basis of assets and liabilities and their carrying amounts may be either taxable or deductible. Taxable temporary differences give rise to future income tax liabilities and deductible temporary differences give rise to future income tax assets. When the fair value of investments is greater than its tax basis, a future income tax liability arises and the future tax liability is offset by refundable taxes generated by future payments of capital gains dividends. When the fair value of investments is less than its tax basis, a future income tax asset arises and due to the uncertainty of such future income tax assets ultimately being realized, a full valuation allowance is applied to offset the asset. Any unused capital and non-capital losses represent future tax assets to the Funds for which a full valuation allowance has been established such that no net benefit has been recorded by the Funds.

For the taxation year ended March 31, 2014, the Corporation has no capital losses and non-capital losses to carry forward.

6. Administrative and other related-party transactions

Manager and Portfolio Advisor

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager and portfolio advisor of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, provides investment advice and portfolio management services to the Funds and appoints distributors for 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 mutual fund shares. Series O shareholders pay a negotiated fee directly to RBC GAM 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 and the costs of preparing and distributing annual and semi-annual reports, prospectuses, 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 Directors of the Corporation, the Board of Governors (“BoG”) of the Funds and the trustees of the Corporate Class Trust (the holders of the Common Shares of the Corporation), 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 mutual fund shares 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 shareholders.

Certain Funds may invest directly or indirectly 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.

Distributors

RBC GAM, RBC Direct Investing Inc., RBC Dominion Securities Inc. and Phillips, Hager & North Investment Funds Ltd. are principal distributors of, or distribute certain series of mutual fund shares of, the Funds. Dealers receive an ongoing commission based on the total value of their clients’ Series A, Advisor Series, Series H and Series D mutual fund shares.

Custodian

RBC Investor Services Trust (“RBC IS”) is the custodian and holds the assets of the Funds.

Registrars

RBC IS and RBC GAM are the registrars of the Funds and keep records of who owns the mutual fund shares of the Funds.

Brokerage

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

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 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 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 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 2015 year. In preparation to meet the requirements, RBC GAM 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 the disclosures of the quantitative impact, if any, in the comparative 2014 financial statements and the preparation of the 2015 financial statements in accordance with IFRS.

Since IFRS standards continue to evolve, 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 as a liability or as an equity.

Regardless of the financial statement impacts, RBC GAM has presently determined that there will be no quantitative impact to the transactional NAV of each series as a result of the changeover to IFRS.