



The accompanying financial statements have been prepared by RBC Global Asset Management Inc. ("RBC GAM") as manager of the RBC Funds (the "Funds") and approved by the Board of Directors of RBC GAM. 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 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 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.

John S. Montalbano, CFA
Chief Executive Officer
RBC Global Asset Management Inc.
August 14, 2013

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

Unaudited Semi-Annual Financial Statements

The accompanying semi-annual financial statements have not been reviewed by the external auditors of the Funds. The external auditors will be auditing the annual financial statements of the Funds in accordance with Canadian generally accepted auditing standards.



STATEMENT OF INVESTMENT PORTFOLIO (unaudited) (in \$000s)
RBC INTERNATIONAL DIVIDEND GROWTH FUND

June 30, 2013

Holdings	Security	Cost	Fair Value	% of Net Assets
INTERNATIONAL EQUITIES				
Belgium				
19 200	InBev N.V.	\$ 1 780	\$ 1 818	
15 242	KBC Groep N.V.	423	598	
		2 203	2 416	4.0
Finland				
47 200	Sampo OYJ	1 508	1 934	
		1 508	1 934	3.2
France				
20 600	BNP Paribas S.A.	1 124	1 186	
11 500	Sanofi	885	1 250	
17 412	Technip S.A.	1 907	1 861	
17 905	Valeo S.A.	936	1 182	
40 900	Vinci S.A.	1 897	2 158	
		6 749	7 637	12.6
Germany				
11 834	Allianz SE	1 351	1 817	
17 794	Bayer AG	1 246	1 993	
25 443	GEA Group AG	842	950	
		3 439	4 760	7.8
Hong Kong				
147 500	Sands China Ltd.	753	725	
104 900	Wynn Macau Ltd.	306	297	
		1 059	1 022	1.7
Ireland				
23 850	Accenture Plc., Class A	1 458	1 805	
		1 458	1 805	3.0
Japan				
36 300	Bridgestone Corp.	880	1 302	
106 100	Itochu Corp.	1 232	1 291	
33 700	Komatsu Ltd.	828	816	
36 800	Kubota Corp.	428	563	
86 500	Kuraray Co. Ltd.	1 280	1 275	
8 400	Lawson Inc.	526	674	
316 000	Mitsubishi UFJ Financial Group Inc.	2 087	2 053	
10 400	Nitto Denko Corp.	673	702	
18 000	Seven & I Holdings Co. Ltd.	685	693	
46 200	Sumitomo Mitsui Financial Group Inc.	1 724	2 224	
20 100	Toyota Motor Corp.	1 301	1 275	
		11 644	12 868	21.2
Netherlands				
37 400	European Aeronautic Defense and Space Co.	1 909	2 104	
		1 909	2 104	3.4
Norway				
33 324	Seadrill Ltd.	1 158	1 412	
		1 158	1 412	2.3

Holdings	Security	Cost	Fair Value	% of Net Assets
Singapore				
23 700	DBS Group Holdings Ltd.	\$ 306	\$ 303	
		306	303	0.5
South Korea				
952	Samsung Electronics Co. Ltd. GDR	521	582	
		521	582	1.0
Sweden				
16 000	Assa Abloy AB	636	658	
59 875	Svenska Cellulosa AB	1 104	1 579	
78 832	Swedbank AB	1 292	1 899	
		3 032	4 136	6.8
Switzerland				
7 526	Roche Holdings AG Genussscheine	1 388	1 965	
2 200	Swatch Group AG	1 293	1 264	
1 590	Syngenta AG	563	652	
		3 244	3 881	6.4
United Kingdom				
135 700	Barclays Plc.	654	608	
141 700	Compass Group Plc.	1 278	1 905	
61 141	Diageo Plc.	1 405	1 844	
169 208	HSBC Holdings Plc. (U.K. Reg.)	1 745	1 843	
72 100	Prudential Corporation Plc.	1 120	1 238	
17 400	Reckitt Benckiser Plc.	1 150	1 295	
42 846	Rio Tinto Plc.	2 107	1 833	
35 070	Royal Dutch Shell Plc., B Shares	1 178	1 222	
21 612	Shire Plc.	682	720	
25 549	Wolseley Plc.	1 021	1 240	
105 861	WPP Plc.	1 252	1 903	
		13 592	15 651	25.8
Turkey				
71 200	Akbank TAS	322	305	
		322	305	0.5
TOTAL INTERNATIONAL EQUITIES		52 144	60 816	100.2
SHORT-TERM INVESTMENTS*		510	510	0.8
TOTAL INVESTMENTS		52 654	61 326	101.0
UNREALIZED GAIN (LOSS) ON FOREIGN EXCHANGE CONTRACTS (SCHEDULE A)				
		—	(337)	(0.6)
TOTAL PORTFOLIO		\$ 52 654	60 989	100.4
OTHER NET ASSETS (LIABILITIES)			(251)	(0.4)
NET ASSETS			\$ 60 738	100.0

* Short-term investments, which may be made up of treasury bills, commercial paper, term deposits and discount notes, earn interest at rates ranging from 1.11% to 1.12% and mature between July 2, 2013 and July 15, 2013.



June 30, 2013

SCHEDULE A

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain (Loss)
Bought HKD 1 103 Sold CAD 149 @ 0.1352	02-Jul-13	\$ 1
Bought CAD 1 572 Sold USD 1 524 @ 1.0316	05-Jul-13	(31)
Bought CAD 192 Sold USD 186 @ 1.0320	05-Jul-13	(4)
Bought CAD 117 Sold GBP 75 @ 1.5573	08-Jul-13	(3)
Bought CAD 133 Sold GBP 85 @ 1.5671	08-Jul-13	(3)
Bought CAD 4 245 Sold GBP 2 710 @ 1.5664	08-Jul-13	(91)
Bought CAD 41 Sold GBP 25 @ 1.6225	08-Jul-13	1
Bought CAD 716 Sold GBP 460 @ 1.5570	08-Jul-13	(20)
Bought GBP 1 374 Sold CAD 2 217 @ 1.6136	08-Jul-13	(19)
Bought GBP 107 Sold CAD 170 @ 1.5932	08-Jul-13	1
Bought GBP 125 Sold CAD 195 @ 1.5564	08-Jul-13	5
Bought GBP 275 Sold CAD 444 @ 1.6141	08-Jul-13	(4)
Bought CAD 121 Sold EUR 92 @ 1.3117	09-Jul-13	(5)
Bought CAD 147 Sold EUR 110 @ 1.3384	09-Jul-13	(3)
Bought CAD 2 131 Sold EUR 1 628 @ 1.3089	09-Jul-13	(98)
Bought CAD 37 Sold EUR 28 @ 1.3123	09-Jul-13	(2)
Bought DKK 1 293 Sold CAD 228 @ 0.1762	09-Jul-13	10
Bought EUR 462 Sold CAD 634 @ 1.3724	09-Jul-13	(1)
Bought EUR 525 Sold CAD 712 @ 1.3561	09-Jul-13	7
Bought EUR 85 Sold CAD 114 @ 1.3371	09-Jul-13	3
Bought DKK 1 768 Sold CAD 315 @ 0.1781	12-Jul-13	10
Bought CAD 322 Sold TRY 594 @ 0.5416	15-Jul-13	(2)
Bought CAD 1 295 Sold SEK 8 461 @ 0.1530	16-Jul-13	(32)
Bought CAD 150 Sold SEK 967 @ 0.1549	16-Jul-13	(2)
Bought HKD 5 375 Sold CAD 704 @ 0.1310	16-Jul-13	25
Bought CAD 1 810 Sold EUR 1 346 @ 1.3450	17-Jul-13	(33)
Bought CAD 280 Sold EUR 207 @ 1.3546	17-Jul-13	(3)
Bought CAD 4 033 Sold JPY 382 143 @ 0.0106	17-Jul-13	(22)
Bought EUR 3 022 Sold CAD 4 066 @ 1.3456	17-Jul-13	73
Bought JPY 163 557 Sold CAD 1 676 @ 0.0102	17-Jul-13	59
Bought JPY 27 671 Sold CAD 286 @ 0.0104	17-Jul-13	7
Bought AUD 1 177 Sold CAD 1 238 @ 1.0516	18-Jul-13	(107)
Bought AUD 100 Sold CAD 101 @ 1.0112	18-Jul-13	(5)
Bought AUD 120 Sold CAD 126 @ 1.0518	18-Jul-13	(11)
Bought CAD 126 Sold AUD 130 @ 0.9724	18-Jul-13	1
Bought CAD 93 Sold SGD 115 @ 0.8129	18-Jul-13	(2)
Bought SGD 1 358 Sold CAD 1 130 @ 0.8323	18-Jul-13	(3)
Bought ILS 229 Sold CAD 64 @ 0.2788	19-Jul-13	2
Bought ILS 464 Sold CAD 130 @ 0.2801	19-Jul-13	4
Bought ILS 579 Sold CAD 162 @ 0.2792	19-Jul-13	6
Bought CAD 103 Sold EUR 75 @ 1.3749	22-Jul-13	–
Bought CAD 209 Sold EUR 155 @ 1.3473	22-Jul-13	(3)
Bought CAD 385 Sold EUR 286 @ 1.3476	22-Jul-13	(6)
Bought CAD 111 Sold DKK 600 @ 0.1842	23-Jul-13	–
Bought DKK 1 293 Sold CAD 235 @ 0.1821	23-Jul-13	2
Bought CAD 112 Sold CHF 100 @ 1.1203	25-Jul-13	1
Bought CAD 34 Sold CHF 30 @ 1.1221	25-Jul-13	–
Bought CHF 1 048 Sold CAD 1 158 @ 1.1051	25-Jul-13	10
Bought CHF 630 Sold CAD 696 @ 1.1055	25-Jul-13	6
Bought CAD 101 Sold NOK 570 @ 0.1766	29-Jul-13	2
Bought CAD 66 Sold NOK 375 @ 0.1766	29-Jul-13	1
Bought AUD 190 Sold CAD 187 @ 0.9819	01-Aug-13	(4)
Bought AUD 2 141 Sold CAD 2 096 @ 0.9790	01-Aug-13	(41)
Bought CAD 187 Sold JPY 17 500 @ 0.0107	09-Aug-13	2
Bought CAD 343 Sold JPY 32 183 @ 0.0107	09-Aug-13	1

SCHEDULE A (cont.)

Foreign Exchange Contracts

Contracts	Maturity Date	Unrealized Gain (Loss)
Bought JPY 108 270 Sold CAD 1 161 @ 0.0107	09-Aug-13	\$ (11)
Bought JPY 20 500 Sold CAD 221 @ 0.0108	09-Aug-13	(4)
Bought CAD 660 Sold SEK 4 262 @ 0.1549	13-Aug-13	(8)
Bought CAD 149 Sold HKD 1 102 @ 0.1353	16-Aug-13	(1)
Bought CAD 305 Sold HKD 2 280 @ 0.1339	16-Aug-13	(4)
Bought CAD 309 Sold SGD 378 @ 0.8164	16-Aug-13	(5)
Bought CAD 611 Sold HKD 4 650 @ 0.1314	16-Aug-13	(21)
Bought CAD 631 Sold USD 598 @ 1.0547	16-Aug-13	1
Bought HKD 3 793 Sold CAD 498 @ 0.1313	16-Aug-13	17
Bought HKD 4 899 Sold CAD 644 @ 0.1315	16-Aug-13	21
Bought EUR 117 Sold CAD 162 @ 1.3820	23-Aug-13	(1)
Bought CAD 40 Sold NOK 224 @ 0.1765	27-Aug-13	1
Bought CAD 666 Sold NOK 3 773 @ 0.1766	27-Aug-13	13
Bought CAD 212 Sold USD 201 @ 1.0539	29-Aug-13	–
Bought AUD 1 386 Sold CAD 1 342 @ 0.9682	24-Sep-13	(15)
TOTAL FOREIGN EXCHANGE		\$ (337)

All counterparties have a credit rating of at least A.



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

(see note 2 in the generic notes)	June 30 2013	December 31 2012
ASSETS		
Investments at fair value	\$ 61 326	\$ 61 868
Cash	55	157
Due from investment dealers	—	662
Subscriptions receivable	24	—
Dividends receivable, interest accrued and other assets	112	49
TOTAL ASSETS	61 517	62 736
LIABILITIES		
Due to investment dealers	150	—
Redemptions payable	250	323
Unrealized loss on foreign exchange contracts	337	559
Distributions payable	14	—
Accounts payable and accrued expenses	28	28
TOTAL LIABILITIES	779	910
NET ASSETS	\$ 60 738	\$ 61 826
Investments at cost	\$ 52 654	\$ 52 761
NET ASSETS, END OF PERIOD		
ADVISOR SERIES	\$ 12 323	\$ 12 618
SERIES F	\$ 4 408	\$ 4 617
SERIES O	\$ 44 007	\$ 44 591
NET ASSETS PER UNIT, END OF PERIOD		
ADVISOR SERIES	\$ 7.79	\$ 7.18
SERIES F	\$ 7.82	\$ 7.22
SERIES O	\$ 7.79	\$ 7.19
NET ASSET VALUE (TRANSACTIONAL NAV) PER UNIT, END OF PERIOD (see note 3 in the generic notes)		
ADVISOR SERIES	\$ 7.79	\$ 7.18
SERIES F	\$ 7.82	\$ 7.22
SERIES O	\$ 7.79	\$ 7.19

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

For the periods ended June 30 (see note 2 in the generic notes)	2013	2012
INCOME (see note 3 in the generic notes)		
Dividends	\$ 1 275	\$ 1 712
Interest	3	3
Securities lending revenue (see note 6 in the generic notes)	47	41
Foreign withholding taxes	(169)	(205)
TOTAL INCOME	1 156	1 551
EXPENSES (see notes – Fund Specific Information)		
Management fees	134	160
Administration fees	18	20
Board of Governors costs	2	2
GST/HST	16	17
TOTAL EXPENSES	170	199
NET INVESTMENT INCOME (LOSS)	986	1 352
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments	6 743	1 183
Net gain (loss) on foreign currencies and other net assets	(1 142)	(1 046)
Change in unrealized gain (loss) on investments	(213)	1 604
Transaction costs	(176)	(202)
NET GAIN (LOSS) ON INVESTMENTS	5 212	1 539
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 6 198	\$ 2 891
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
ADVISOR SERIES	\$ 1 146	\$ 539
SERIES F	\$ 436	\$ 326
SERIES O	\$ 4 616	\$ 2 026
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT		
ADVISOR SERIES	\$ 0.69	\$ 0.24
SERIES F	\$ 0.73	\$ 0.29
SERIES O	\$ 0.77	\$ 0.32

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

John S. Montalbano
Director

Doug Coulter
Director



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

For the periods ended June 30 (see note 2 in the generic notes)	Advisor Series		Series F		Series O		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
NET ASSETS – BEGINNING OF PERIOD	\$ 12 618	\$ 15 975	\$ 4 617	\$ 7 500	\$ 44 591	\$ 45 351	\$ 61 826	\$ 68 826
INCREASE (DECREASE) FROM OPERATIONS	1 146	539	436	326	4 616	2 026	6 198	2 891
Early redemption fees	–	–	–	–	–	–	–	–
Proceeds from units issued	479	236	400	303	2 250	6 100	3 129	6 639
Proceeds from reinvestment of distributions	101	144	57	96	927	956	1 085	1 196
Payments on redemption of units	(1 914)	(3 501)	(1 035)	(2 772)	(7 450)	(10 210)	(10 399)	(16 483)
TOTAL UNIT TRANSACTIONS	(1 334)	(3 121)	(578)	(2 373)	(4 273)	(3 154)	(6 185)	(8 648)
Distributions from net income	(107)	(153)	(67)	(106)	(927)	(956)	(1 101)	(1 215)
Distributions from net gains	–	–	–	–	–	–	–	–
Distributions from capital	–	–	–	–	–	–	–	–
TOTAL DISTRIBUTIONS	(107)	(153)	(67)	(106)	(927)	(956)	(1 101)	(1 215)
TOTAL INCREASE (DECREASE) IN NET ASSETS	(295)	(2 735)	(209)	(2 153)	(584)	(2 084)	(1 088)	(6 972)
NET ASSETS – END OF PERIOD	\$ 12 323	\$ 13 240	\$ 4 408	\$ 5 347	\$ 44 007	\$ 43 267	\$ 60 738	\$ 61 854



June 30, 2013

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

Currency risk (% of net assets)

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

Currency	June 30 2013	December 31 2012
Euro	31.7	29.0
Pound sterling	21.9	31.8
Japanese yen	19.3	19.5
Swiss franc	9.2	8.8
Australian dollar	7.9	–
Swedish krona	3.3	3.2
Hong Kong dollar	3.0	3.1
Singapore dollar	1.7	1.9
Danish krone	1.1	1.2
Norwegian krone	0.9	0.7
Israeli new shekel	–	0.7
Total	100.0	99.9

As at June 30, 2013, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors kept constant, the Fund's net assets may have decreased or increased, respectively, by approximately 1.0% (December 31, 2012 – 1.0%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

Other price risk (% impact on net assets)

The table below shows the impact of a 1% change in the broad-based index (noted below) on the Fund's net assets, using a 36-month historical correlation of data of the Fund's return and the index, with all other factors kept constant, as at:

	June 30 2013	December 31 2012
MSCI EAFE Total Return Net Index (CAD)	+ or - 1.1	+ or - 1.1

Since historical correlation may not be representative of future correlation, 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 June 30, 2013 and December 31, 2012 in the valuation of the Fund's financial instruments carried at fair value.

June 30, 2013	Level 1	Level 2	Level 3	Total
Equities	1 805	59 011	–	60 816
Mutual fund units	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	510	–	510
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(337)	–	(337)
Total financial instruments	1 805	59 184	–	60 989
% of total portfolio	3.0	97.0	–	100.0

December 31, 2012	Level 1	Level 2	Level 3	Total
Equities	1 542	60 200	–	61 742
Mutual fund units	–	–	–	–
Fixed-income				
and debt securities	–	–	–	–
Short-term investments	–	126	–	126
Derivatives – assets	–	–	–	–
Derivatives – liabilities	–	(559)	–	(559)
Total financial instruments	1 542	59 767	–	61 309
% of total portfolio	2.5	97.5	–	100.0

For the periods ended June 30, 2013 and December 31, 2012, 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 units. Series O unitholders 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.

Advisor Series	1.85%
Series F	0.75%



June 30, 2013

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.

Advisor Series	0.15%
Series F	0.15%
Series O	0.02%

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

The non-capital and capital losses as at December 31, 2012 for the Fund were approximately:

Capital losses	\$	68 320
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 June 30
(see note 2 in the generic notes)

	2013	2012
Advisor Series		
Opening units	1 757	2 531
Issued number of units	63	36
Reinvested number of units	13	22
Redeemed number of units	(250)	(525)
Ending number of units	1 583	2 064
Series F		
Opening units	640	1 181
Issued number of units	52	44
Reinvested number of units	7	15
Redeemed number of units	(135)	(410)
Ending number of units	564	830
Series O		
Opening units	6 199	7 179
Issued number of units	290	920
Reinvested number of units	120	149
Redeemed number of units	(956)	(1 510)
Ending number of units	5 653	6 738

Transaction costs (\$000s except %)

Transaction costs, including brokerage commissions, in consideration of portfolio transactions for the periods ended:

	June 30 2013		June 30 2012	
	\$	%	\$	%
Total transaction costs	176	100	202	100
Related-party brokerage commissions*	—	—	3	1
Commission arrangements†	—	—	—	—

* See note 7 in the generic notes.

† Commission arrangements are part of commission amounts paid to dealers. The Fund uses commission arrangements (formerly known as "soft dollars") for research and/or order execution goods and services.

Securities lending revenue (\$000s) (see note 6 in the generic notes)

Fair value of securities on loan and collateral received as at:

	June 30 2013		June 30 2012	
Fair value of securities loaned	\$	2 891	\$	3 448
Fair value of collateral received	\$	2 949	\$	3 517

Investments by other related Investment Funds (000s) (see note 7 in the generic notes)

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

	June 30 2013	December 31 2012
Series O		
RBC DS Balanced Global Portfolio	2 082	2 345
RBC DS Growth Global Portfolio	2 225	2 456
RBC DS All Equity Global Portfolio	1 345	1 398
Total	5 652	6 199



1. The Funds

The mutual funds ("Fund" or "Funds") are open-ended mutual fund trusts governed by the laws of the Province of Ontario and governed by a Master Declaration of Trust. RBC GAM is the manager, trustee and portfolio advisor of the Funds.

The Funds may issue an unlimited number of units in some or all of Series A, Advisor Series, Series T5, Series T8, Series H, Series D, Series F, Series I and Series O.

Series A units have no sales charges and are available to all investors.

Advisor Series units are available to all investors with an initial sales charge, deferred 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 deferred sales charge or low-load sales charge option, investors do not pay a commission.

Effective June 29, 2012, Series T units were renamed as Series T8 units. Series T5 and T8 units have no sales charges and are available to all investors.

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

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

Series F units have no sales charges and have lower fees than Series A units. Series F units are only available to investors who have accounts with dealers who have signed a fee-based agreement with RBC GAM.

Series I units have no sales charges, have lower fees than Series F units 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 units have no management fees. Series O unitholders 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 six-month periods ended June 30, 2013 and 2012, or as at June 30, 2013 and December 31, 2012. In the year a Fund or series is established, "period" represents the period from inception to June 30 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 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 ("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 Canadian Institute of Chartered Accountants ("CICA") 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."



June 30, 2013

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

Equities – Common shares, preferred shares and exchange-traded funds are valued at the closing bid price recorded by the security exchange on which the security is principally traded.

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

NHA-approved mortgages are valued at a principal amount, which produces a yield equivalent to the prevailing rate of return on mortgages of similar type and term.

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 closing bid prices.

Options – Listed options are valued at the closing bid price on the recognized exchange on which the option is traded for the long positions and the ask price for the short positions. The premium received for written options is recorded as a credit in the Statement of Investment Portfolio and adjusted daily to the fair value of the written option.

Forward Contracts – Forward contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded in the Statements of Operations. The net receivable/payable on forward contracts is recorded separately in the Statements of Net Assets. Realized gain (loss) on foreign exchange contracts is included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Operations.

Futures Contracts – Futures contracts entered into by the Funds are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. However, the Funds do not intend to purchase or sell the financial instrument on the settlement date; rather, they intend to close out each futures contract before settlement by entering into equal, but offsetting, futures contracts. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the valuation date. Any gain or loss at the close of business on each valuation date is recorded as “Net gain (loss) from futures contracts” in the Statements of Operations. The net receivable/payable on futures contracts is recorded separately in the Statements of Net Assets.

Mutual Fund Unit Valuation – Units of Funds are valued at their respective transactional NAV per unit received from fund companies on the relevant valuation dates.

Fair Valuation of Investments (including unlisted securities) – If the valuation methods described above are not appropriate, RBC GAM 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.

Procedures are in place to determine the fair value of foreign securities traded in countries outside North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market. This fair valuation process takes into account the last quoted price of the security and adjusts the price based on inputs such as related indices, changes in foreign markets and American Depositary Receipts (“ADR”) prices. These securities are classified as Level 2.

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 \$U.S. Money Market Fund, RBC Premium \$U.S. Money Market Fund, RBC \$U.S. Income Fund and the BlueBay Emerging Markets Corporate Bond 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. Realized foreign exchange gains/losses are included in “Net gain (loss) on foreign currencies and other net assets” in the Statements of Operations.

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.



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Investment Transactions Investment transactions are accounted for as of the trade date. 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. The basis of determining the cost of portfolio assets, and realized and unrealized gains and losses on investments, is average cost.

Income Recognition Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis. "Other income (loss)" includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components, such as income, capital gains and return of capital. "Other revenue" includes income earned by a Fund from investments in underlying funds.

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 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 units if the unitholder redeems or switches out units within seven days of purchasing or previously switching into a Fund.

Foreign Currencies The following is a list of abbreviations used in the Statement of Investment Portfolio:

AUD – Australian Dollar	MXN – Mexican Peso
BRL – Brazilian Real	MYR – Malaysian Ringgit
CAD – Canadian Dollar	NOK – Norwegian Krone
CHF – Swiss Franc	NZD – New Zealand Dollar
CLP – Chilean Peso	PEN – Peruvian Nuevo Sol
CNY – Chinese Renminbi	PHP – Philippine Peso
COP – Colombian Peso	PLN – Polish Zloty
DKK – Danish Krone	RON – Romanian Leu
EUR – Euro	RUB – Russian Rouble
GBP – Pound Sterling	SEK – Swedish Krona
HKD – Hong Kong Dollar	SGD – Singapore Dollar
HUF – Hungarian Forint	THB – Thailand Baht
IDR – Indonesian Rupiah	TRY – Turkish New Lira
ILS – Israeli New Shekel	TWD – New Taiwan Dollar
JPY – Japanese Yen	USD – United States Dollar
KRW – South Korean Won	ZAR – South African Rand

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 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 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. Credit risk exposure is mitigated for those Funds participating in a securities lending program (see note 6). 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 Funds qualify as open-ended mutual fund trusts or 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 10 years, with the exception of non-capital losses realized in 2006 and later years, which may be carried forward up to 20 years.

6. Securities lending revenue

Certain of the Funds lend portfolio securities from time to time in order to earn additional income. Income from securities lending is included in the Statements of Operations of a Fund. Each such Fund will have entered into a securities lending program with its custodian, RBC Investor Services Trust ("RBC IS"). The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of a Fund. The Fund receives collateral, with an approved credit rating of at least A, of at least 102% of the value of securities on loan. The Fund is indemnified by RBC IS for any collateral credit or market loss. As such, the credit risk associated with securities lending is considered minimal.

7. Administrative and other related-party transactions

Manager, Trustee and Portfolio Advisor

RBC GAM is an indirect wholly owned subsidiary of Royal Bank of Canada ("Royal Bank").

RBC GAM is the manager, trustee and portfolio advisor of the Funds. RBC GAM is responsible for the Funds' day-to-day operations, holds title to the Funds' property on behalf of its unitholders, 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 units. Series O unitholders 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 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



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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.

Distributors

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and Phillips, Hager & North Investment Funds Ltd. are principal distributors of, or distribute certain series of units of, the Funds. Dealers receive an ongoing commission based on the total value of their clients' Series A, Advisor Series, Series T5, Series T8, Series H and Series D units.

Custodian

RBC IS is the custodian and holds the assets of the Funds.

Registrars

Royal Bank, RBC IS and RBC GAM are the registrars of the Funds and keep records of who owns the units 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.

8. 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, 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 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, 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.