



# RBC Canadian Short-Term Income Fund

**Fund Category**  
Canadian Short Term Fixed Income

**Morningstar Rating™**  
★★★

### Investment Objective

To provide a competitive level of monthly income by investing primarily in short-term, high-quality fixed-income securities issued or guaranteed by Canadian federal, provincial or municipal governments and corporations.

### Fund Details

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	RBF264
Adv	Deferred Sales	CAD	RBF851
Adv	Front End	CAD	RBF751
Adv	Low Load	CAD	RBF113
F	No Load	CAD	RBF947

Inception Date	January 1992
Total Assets \$Mil	3,050.3
Series A NAV \$	10.96
Series A MER %	1.16
Benchmark	DEX Short Term Bond
Income Distribution	Monthly
Capital Gains Distribution	Annually
Sales Status	Open
Min. Investment \$	500
Subsequent Investment \$	25

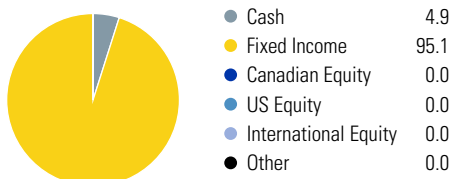
Management Company	RBC Asset Management Inc.
Web Site	www.rbcam.com

### Notes

The fund's investment objective changed June 28, 2002

### Portfolio Analysis as of July 31, 2010

#### Asset Mix



#### Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	39.0
Corporate Bonds	56.1
Other Bonds	0.0
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	4.9
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
AAA	37.7	1 - 5 Yrs	89.4
AA	36.5	5 - 10 Yrs	9.0
A	14.6	Over 10 Yrs	1.6
BBB	5.2		
BB	0.0	Avg. Term to maturity (Yrs)	3.1
B	0.0	Duration (Yrs)	2.7
Below B	0.0	Yield to Maturity	2.5
NR/NA	5.9		

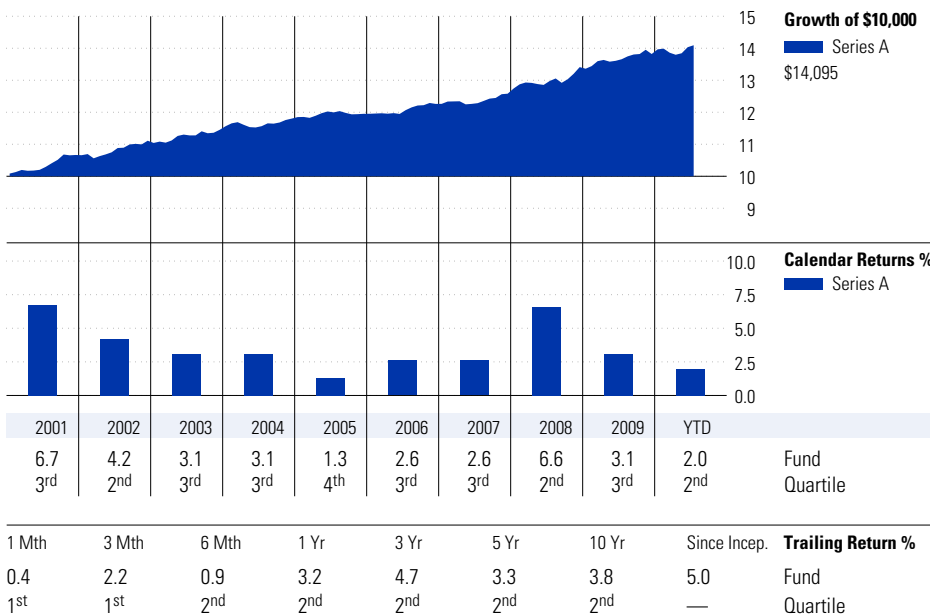
#### Top Geographic Allocations

Geographic Allocation	% Assets
Canada	98.8
United States	0.6
United Kingdom	0.3
Ireland	0.3

#### Top Ten Holdings

Top Ten Holdings	% Assets
Province Of Ontario 3.25% 08-09-2014	6.9
Canada Hsg Tr No 1 4.55% 15-12-2012	5.9
Canada Govt 2% 01-12-2014	5.6
Canada Hsg Tr No 1 3.95% 15-12-2011	4.5
Canada Govt 2.5% 01-06-2015	3.6
Bank of Nova Scotia 5.04% 08-04-2013	3.4
Cash & Cash Equivalents	2.9
Financement Quebec MTN 3.25% 01-06-2014	2.6
Royal Bank Of Canada 5.2% 15-08-2012	2.4
CIBC 3.05% 03-06-2013	2.4
Total % of Top 10 Holdings	40.1
Total Number of Stock Holdings	0
Total Number of Bond Holdings	120
Total Number of Other Holdings	8
<b>Total Number of Holdings</b>	<b>128</b>

### Performance Analysis as of July 31, 2010



# RBC Canadian Short-Term Income Fund

## Management Overview

### Manager Bios

#### Walter Posiewko

#### RBC Asset Management Inc.

Walter Posiewko is Vice President and Senior Portfolio Manager, Global Fixed Income and Money Markets. He has been in the Investment Industry since 1985.

### Performance Analysis Cont'd as of July 31, 2010

Distributions (\$)/Unit	YTD*	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total Distributions	0.19	0.33	0.38	0.34	0.34	0.34	0.35	0.41	0.42	0.48
Interest	0.19	0.33	0.38	0.34	0.34	0.34	0.35	0.41	0.42	0.48
Dividends	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	—	—	—	—	—	—	—	—
Return Of Capital	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1Yr	Ended	3Yr	Ended	5Yr	Ended	10Yr
Best	1-1994	13.9	6-1997	8.8	3-1997	8.6	1-2002	6.5
Worst	1-1995	-0.7	3-2007	1.8	7-2007	2.5	10-2007	3.4
Average		4.9		4.8		4.6		4.6
No. of Periods		211		187		163		103
Pct. Positive		99.1		100.0		100.0		100.0

\* Distributions are characterized into income type at year-end.

### Quarterly Commentary as at June 30, 2010

The RBC Canadian Short-Term Income Fund (Series A) gained 1.2% in the second quarter, compared to 1.7% return for its benchmark.

Canadian fixed-income markets were roiled by the European sovereign debt crisis during the quarter. Domestic considerations briefly weighed on bond prices, as evidenced by the immediate spike in rates in the aftermath of the Bank of Canada's 0.25% tightening late in the quarter. However, a flight-to-quality triggered by fears over another seizure in the global funding market, at the hands of European banks, caused an abrupt reversal, and government bonds rallied significantly. Short and intermediate yields fell approximately 0.35-0.55%, while longer-dated bonds saw declines of 0.40-0.50%.

Fund activity was light as we slightly increased the Fund's government exposure due to the flight-to-quality dynamic, moving out of provincial bonds into federal. Expecting that further rate hikes are in the offing, we opted for the protection of higher

yields further out the curve, resulting in a higher duration for the Fund.

The outlook for fixed-income markets is particularly opaque at this time. Given that the Canadian economy is still in a steady state of recovery, increased prospects of higher administered rates are at the forefront of our thinking. However, the pace of increase is expected to be less aggressive, given the weakening state of global growth, continued uncertainty in European capital markets, and anemic growth in the U.S. While we still anticipate more rate hikes, its coming to pass does not necessarily equate to damaging the further reaches of the yield curve, or to corporate bonds, particularly as inflation pressures are weak. We expect the yield curve will flatten in the wake of more rate hikes. Although we do not expect that the rate hikes will come in an uninterrupted string nor will they be extensive. This should support our commitment to overweighting corporate bonds.

# RBC Canadian Short-Term Income Fund

## Disclosure

RBC Funds are offered by RBC Asset Management Inc. and distributed through authorized dealers. RBC Global Asset Management (RBC GAM) comprises RBC Asset Management Inc. (RBC AM), Phillips, Hager & North Investment Management Ltd. (PH&N) and RBC Global Asset Management (U.S.) Inc., which are separate legal entities owned by Royal Bank of Canada.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus of the mutual fund before investing. Except as otherwise noted, the indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed or covered by the Canadian Deposit Insurance Corporation or by any other government deposit insurer. The value of mutual funds change frequently and past performance may not be repeated.

The Top 25 Holdings may change due to ongoing portfolio transactions within the fund. The Prospectus and other information about the underlying investment funds are available at [www.sedar.com](http://www.sedar.com).

Graphs are only used to illustrate the effects of the compound growth rate and do not reflect future values of any fund or returns on investment of any fund.

This fund profile is provided for informational purposes only. Particular investments and/or trading strategies should be evaluated relative to each individual's investment objectives. The information contained in this fund profile is not, and should not be construed as, investment or tax advice. You should not act or rely on the information contained in this fund profile without seeking the advice of an appropriate professional advisor.

For money market funds, the performance data assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. In addition, for money market funds, there can be no assurances that the fund will be able to maintain its net asset value per unit at a constant amount or that the full amount of your investment in the fund will be returned to you.

Quartile rankings are determined by Morningstar Research Inc., an independent research firm. Quartile rankings are comparisons of the performance of a fund to other funds in a particular category and are

subject to change monthly. The quartiles divide the data into four equal segments expressed in terms of rank (1, 2, 3 or 4). This is the Morningstar quartile ranking of Series A units of the Fund as of July 31, 2010.

Morningstar ratings are overall ratings reflecting risk adjusted performance as of July 31, 2010. The ratings are subject to change every month. The ratings are calculated for funds with a minimum of 3 years of performance, calculated from the funds' 1 and 3 year average annual returns measured against a 91-day Treasury Bill return with appropriate fee adjustments. The top 10% of the funds in a category receive 5 stars (high); if the funds fall in the next 22.5%, they receive 4 stars (above average); a place in the middle 35% earns a fund 3 stars (neutral or average); those in the next 22.5% receive 2 stars (below average); and the lowest 10% get 1 star (low). Ratings are just one factor to consider when investing. For more information, please see [www.morningstar.ca](http://www.morningstar.ca).

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