



# RBC Bond Fund

**Fund Category**  
Canadian Fixed Income

**Morningstar Rating™**  
★★★

## Investment Objective

To provide above average, long-term total returns consisting of interest income and moderate capital growth by investing primarily in high-quality fixed-income securities issued by Canadian governments and corporations.

## Fund Details

Series	Load Structure	Currency	Fund Code
A	No Load	CAD	RBF270
Adv	Deferred Sales	CAD	RBF850
Adv	Front End	CAD	RBF750
Adv	Low Load	CAD	RBF114
F	No Load	CAD	RBF601
I	No Load	CAD	RBF154

Inception Date	July 1966
Total Assets \$Mil	5,178.9
Series A NAV \$	6.11
Series A MER %	1.16
Benchmark	30% DEX Corp Bond 25% DEX LT Gov Bond 25% DEX MT Gov Bond 20% Citigroup Gov Bond*

Income Distribution	Quarterly
Capital Gains Distribution	Annually

Sales Status	Open
Min. Investment \$	500
Subsequent Investment \$	25

Management Company	RBC Asset Management Inc.
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Web Site [www.rbcam.com](http://www.rbcam.com)

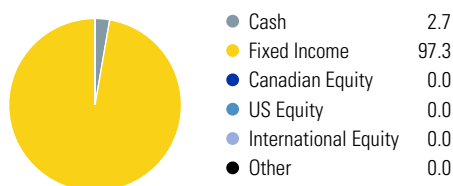
## Notes

Minimum investment for Series I units of the Fund is \$500,000. Minimum additional investment is \$5,000.

\* Hedged back to \$C.

## Portfolio Analysis as of June 30, 2010

### Asset Mix



### Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	40.8
Corporate Bonds	55.3
Other Bonds	1.0
Mortgage Backed Securities	0.2
ST Investments (Cash & Other)	2.7
Asset Backed Securities	0.0

Bond Rating	%	Term to Maturity	%
AAA	25.8	1 - 5 Yrs	38.4
AA	36.5	5 - 10 Yrs	31.5
A	16.8	Over 10 Yrs	30.1
BBB	12.1		
BB	6.9	Avg. Term to maturity (Yrs)	8.8
B	2.3	Duration (Yrs)	6.4
Below B	0.2	Yield to Maturity	4.5
NR/NA	-0.6		

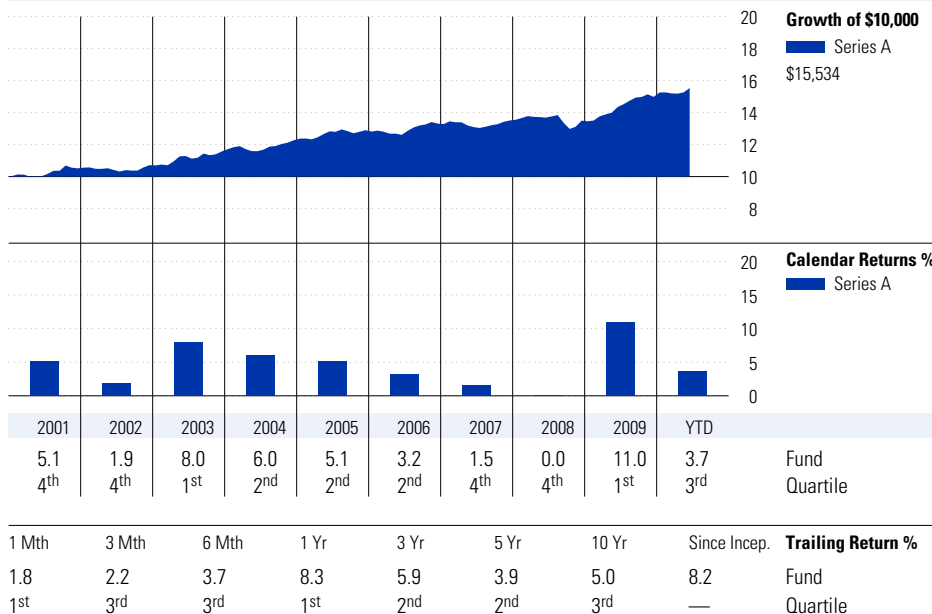
### Top Geographic Allocations

Geographic Allocation	% Assets
Canada	89.0
United States	6.6
Philippines	0.4
Brazil	0.4
Turkey	0.3

### Top 25 Holdings

Top 25 Holdings	% Assets
United States 10-Year Note Fut	-3.8
Canada Govt 5% 01-06-2037	2.1
Province Of Ontario 4.7% 02-06-2037	2.0
Province Of Ontario 4.6% 02-06-2039	2.0
Bank of Nova Scotia 5.04% 08-04-2013	2.0
Province Of Quebec 4.5% 01-12-2019	1.9
Canada Hsg Tr No 1 4.1% 15-12-2018	1.7
CIBC 4.11% 30-04-2020	1.7
Canada Govt 3.75% 01-06-2019	1.6
Canada Govt 4% 01-06-2041	1.5
Canada Govt 3.5% 01-06-2020	1.5
Province Of Quebec 5% 01-12-2041	1.4
Toronto Dominion Bank 4.854% 13-02-2013	1.4
Canada Govt 3% 01-06-2014	1.4
Cash & Cash Equivalents	1.4
Canada Hsg Tr No 1 3.55% 15-09-2013	1.3
Canada Hsg Tr No 1 2.75% 15-12-2014	1.2
Toronto Dom Ctr West FRN 14-12-2105	1.2
Province Of Quebec 5% 01-12-2038	1.1
Canada Hsg Tr No 1 4% 15-06-2012	1.0
Canada Hsg Tr No 1 3.6% 15-06-2013	1.0
Province Of Ontario 4.3% 08-03-2017	1.0
Province Of Ontario 8.5% 02-12-2025	0.9
Province Of Quebec 4.5% 01-12-2017	0.8
Province Of Ontario 6.5% 08-03-2029	0.8
<b>Total % of Top 25 Holdings</b>	<b>29.8</b>
Total Number of Stock Holdings	0
Total Number of Bond Holdings	432
Total Number of Other Holdings	15
<b>Total Number of Holdings</b>	<b>447</b>

## Performance Analysis as of June 30, 2010



# RBC Bond Fund

## Management Overview

### Manager Bios

#### RBC AM Gbl Fix Inc & Currencies Cmittee

Chaired by Dagmara Fijalkowski, Senior Vice President and Senior Portfolio Manager, Head, Global Fixed Income and Currencies. Dagmara has been in the investment industry since 1994.

### Performance Analysis Cont'd as of June 30, 2010

Distributions (\$)/Unit	YTD*	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total Distributions	0.11	0.26	0.26	0.26	0.24	0.24	0.28	0.24	0.08	0.28
Interest	0.11	0.26	0.26	0.24	0.24	0.24	0.26	0.24	0.05	0.28
Dividends	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	—	0.03	—	—	0.01	—	—	—
Return Of Capital	—	—	—	—	—	—	—	—	0.03	—

Best/Worst Periods %	Ended	1Yr	Ended	3Yr	Ended	5Yr	Ended	10Yr
Best	10-1991	22.7	10-1993	16.0	1-1994	12.9	9-1997	10.9
Worst	1-1995	-8.8	10-2008	0.7	2-2009	2.7	10-2008	3.2
Average		7.3		7.2		7.4		7.4
No. of Periods		289		265		241		181
Pct. Positive		90.7		100.0		100.0		100.0

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

### Quarterly Commentary as at June 30, 2010

In the second quarter, the RBC Bond Fund (Series A) returned 2.2%, compared to a 3.4% gain for its benchmark.

Our decision to reduce hedges of the U.S. dollar was positive for performance; however our bias towards credit bonds was not.

Canadian fixed-income markets were roiled by the European sovereign debt crisis while domestic considerations briefly weighed on bond prices, as evidenced by the immediate spike in rates in the aftermath of 0.25% tightening by the Bank of Canada. However, a flight-to-quality triggered by fears over another seizure in the global funding markets, at the hands of European banks, caused an abrupt reversal, and government bonds ultimately rallied significantly.

Under these circumstances, corporate bonds underperformed government with the weaker credits underperforming the most, despite improving balance sheets and reduced leverage. Similarly, emerging market bonds, despite their

improving creditworthiness, were not sheltered from the risk-off sentiment and pared back their outperformance year-to-date.

The outlook for fixed-income markets is particularly opaque at present. Given the Canadian economy remains in a steady state of recovery, increased prospects for higher administered rates are at the forefront of our thinking. While we anticipate more rate hikes, this does not necessarily equate to damages further out 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 in Canada will come in an uninterrupted string nor will they be extensive. This should support our bias to overweight corporate bonds. The outlook for the U.S. high yield and emerging market bonds remains cautious as concerns regarding sovereign, bank and economic risk outweigh the positive backdrop of stronger balance sheets and attractive valuations.

# RBC Bond 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 June 30, 2010.

Morningstar ratings are overall ratings reflecting risk adjusted performance as of June 30, 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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