



FIXED-INCOME FUND

RBC HIGH YIELD BOND CAPITAL CLASS

March 31, 2014

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

The Board of Directors of RBC Corporate Class Inc. approved this annual management report of fund performance on May 9, 2014.

A Note on Forward-looking Statements

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

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

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

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



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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide a high level of income with the potential for modest capital growth through exposure primarily to higher yielding corporate debt securities issued by Canadian and U.S. corporations.

To achieve its investment objective, the Fund invests most of its assets in the RBC High Yield Bond LP (the “underlying fund”). The underlying fund may enter into one or more forward contracts linked to the performance of the RBC High Yield Bond Trust (the “reference fund”). The Fund may also invest in fixed-income securities or units of the reference fund. The return of the underlying fund will depend on the return of the reference fund. The portfolio manager of the reference fund invests primarily in debt securities rated from BBB to B by Standard & Poor’s or an equivalent credit-rating company. The portfolio manager employs a value-focused philosophy, striving to invest in quality companies having stable to improving credit profiles, which are considered undervalued.

Risk

There were no significant changes to the investment objective and strategies that affected the Fund’s overall level of risk during the reporting period. The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Simplified Prospectus.

Results of Operations

The Fund’s net asset value declined to \$290 million as of March 31, 2014, from \$387 million as of March 31, 2013. The change was due to net redemptions.

Over the past year, the Fund’s Series A shares rose 4.3%, which outperformed the 0.8% rise in the benchmark. The Fund’s return is after the deduction of fees and expenses, while the benchmark return does not include any costs of investing. See the Financial Highlights section for the management expense ratios and the Past Performance section for the returns of the other series, which may vary because of differences in management fees and expenses.

In general, assets such as higher-risk, higher-yielding bonds continued to outperform government fixed income and higher-rated corporate bonds, which were held back primarily by concerns that the U.S. Federal Reserve’s (the “Fed”) retreat from an extremely loose monetary policy known as quantitative easing (“QE”) would lead to rising government yields. The high-yield bond market continued to benefit on a relative basis from low default risk, rising mutual-fund investments, fairly strong corporate earnings and balance sheets, and demand for extra income provided by higher-yielding corporate bonds in a low-yield environment.

In May, with government yields near all-time lows, the prospect of an earlier-than-expected end to QE caused bond yields to rise sharply and the price of both government and corporate bonds to fall. Later, volatility in the Treasury market dropped, and high-yield bonds resumed their outperformance. By December investors had fully factored in expectations of a reduction in QE, and when the Fed actually began to scale back its asset purchases later that month there was little change in government yields. In late 2013, fears that economic growth would slow in emerging markets, notably China, caused higher-risk assets to decline as investors sought the perceived safety of U.S. government bonds. Other geopolitical events, including Russia’s seizure of Crimea from Ukraine, also prompted investors to place more of a premium on safe-haven assets.

The Fund’s cash levels were higher than usual in April 2013, and as bond prices started to fall in May and June, the portfolio manager sold some higher-quality Canadian investment-grade bonds and used the proceeds to buy lower-rated U.S. corporate bonds that had fallen in price. The Fund benefited from this move after prices of high-yield bonds recovered. The rise in prices relative to government bonds prompted the portfolio manager to again allow cash levels to rise above usual levels. Toward the end of the fiscal year, geopolitical concerns and rising valuations prompted the portfolio manager to take a slightly more conservative approach by favouring higher-quality U.S. high-yield bonds. These investments lowered cash levels to more usual levels.

Recent Developments

In early April 2014, the premium that investors were receiving on bonds perceived to carry higher risks (the credit spread) stood at a five-year low. The portfolio manager’s outlook, while generally positive, is tempered by the fact that credit spreads likely offer less room for gains than they did 12 months ago, and that there may be headwinds in the form of rising Treasury rates as U.S. economic growth picks up. For now, the portfolio manager expects to continue adding safer higher-quality, shorter-term high-yield bonds, and to keep cash balances at levels sufficient to allow the Fund to take advantage of any market declines.

As set out above, the Fund currently invests its assets in units of the underlying fund. The underlying fund enters into forward agreements to gain exposure to the investment returns of the reference fund, which returns are treated as capital gains instead of income for tax purposes (the “tax treatment”).



The Canadian government's 2013 federal budget included provisions to eliminate the capital-gains tax treatment associated with such 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 reorganized and terminated and units of the RBC High Yield Bond Fund, a corresponding RBC mutual fund trust, will be distributed to shareholders on termination. The termination of the Fund will be considered a taxable disposition.

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 Fund. RBC GAM is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. RBC GAM is paid a management fee by the Fund as compensation for its services. The Fund pays a fixed administration fee to RBC GAM, which, in turn, pays certain operating expenses of the Fund.

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

Distributors

RBC GAM, Royal Mutual Funds Inc., RBC Direct Investing Inc., RBC Dominion Securities Inc. and Phillips, Hager & North Investment Funds Ltd. are the principal distributors of, or distribute certain series of the mutual fund shares of, the Fund. 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 Fund.

Registrars

Royal Bank, RBC IS and RBC GAM are the registrars of the Fund and keep records of who owns the mutual fund shares of the Fund.

Other Related-Party Transactions

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

Related-Party Trading Activities

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

Inter-Fund Trading

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

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



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FINANCIAL HIGHLIGHTS

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

Change in Net Assets Per Mutual Fund Share (\$)

For the Year/ Period Ended	Net Assets Beginning of Year/Period	Increase (Decrease) from Operations ¹					Annual Distributions ²				Net Assets End of Year/Period	
		Total Revenue (Loss)	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (Excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		
Series A												
Mar. 31, 2014	10.89	–	(0.15)	0.25	0.31	0.41	–	–	(0.33)	–	(0.33)	11.01
Mar. 31, 2013	10.12	–	(0.15)	0.02	0.86	0.73	–	–	–	–	–	10.89
Mar. 31, 2012 ³	10.00 [†]	–	(0.04)	–	0.17	0.13	–	–	–	–	–	10.12
Advisor Series												
Mar. 31, 2014	10.89	–	(0.16)	0.25	0.31	0.40	–	–	(0.33)	–	(0.33)	11.00
Mar. 31, 2013	10.12	–	(0.15)	0.02	0.85	0.72	–	–	–	–	–	10.89
Mar. 31, 2012 ³	10.00 [†]	–	(0.04)	–	0.17	0.13	–	–	–	–	–	10.12
Series H												
Mar. 31, 2014	10.90	–	(0.13)	0.25	0.31	0.43	–	–	(0.34)	–	(0.34)	11.04
Mar. 31, 2013 ⁴	10.33 [†]	–	(0.10)	0.01	0.52	0.43	–	–	–	–	–	10.90
Series D												
Mar. 31, 2014	10.94	–	(0.11)	0.26	0.32	0.47	–	–	(0.34)	–	(0.34)	11.11
Mar. 31, 2013	10.13	–	(0.11)	0.02	0.81	0.72	–	–	–	–	–	10.94
Mar. 31, 2012 ³	10.00 [†]	–	(0.03)	–	0.17	0.14	–	–	–	–	–	10.13
Series F												
Mar. 31, 2014	10.96	–	(0.10)	0.25	0.32	0.47	–	–	(0.34)	–	(0.34)	11.14
Mar. 31, 2013	10.14	–	(0.09)	0.02	0.90	0.83	–	–	–	–	–	10.96
Mar. 31, 2012 ³	10.00 [†]	–	(0.03)	–	0.17	0.14	–	–	–	–	–	10.14
Series I												
Mar. 31, 2014	10.97	–	(0.08)	0.26	0.32	0.50	–	–	(0.34)	–	(0.34)	11.17
Mar. 31, 2013 ⁴	10.36 [†]	–	(0.06)	0.01	0.56	0.51	–	–	–	–	–	10.97
Series O												
Mar. 31, 2014	11.07	–	–	0.26	0.32	0.58	–	–	(0.34)	–	(0.34)	11.36
Mar. 31, 2013	10.16	–	–	0.02	0.89	0.91	–	–	–	–	–	11.07
Mar. 31, 2012 ³	10.00 [†]	–	(0.01)	–	0.17	0.16	–	–	–	–	–	10.16

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

² Distributions are reinvested in additional mutual fund shares of the Fund or paid in cash.

³ From January 1, 2012.

⁴ From July 9, 2012.

[†] Initial offering net asset value per mutual fund share.



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FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Mutual Fund Share (\$)	Net Asset Value (\$000s)	Number of Mutual Fund Shares Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Series A							
Mar. 31, 2014	11.01	23 551	2 139	1.46	1.46	0.26	—
Mar. 31, 2013	10.89	37 919	3 483	1.45	1.45	3.06	—
Mar. 31, 2012 ⁴	10.12	9 600	948	1.52	1.52	—	—
Advisor Series							
Mar. 31, 2014	11.00	34 105	3 100	1.48	1.48	0.26	—
Mar. 31, 2013	10.89	49 483	4 546	1.45	1.45	3.06	—
Mar. 31, 2012 ⁴	10.12	13 844	1 368	1.52	1.52	—	—
Series H							
Mar. 31, 2014	11.04	12 390	1 122	1.28	1.28	0.26	—
Mar. 31, 2013 ⁵	10.90	19 458	1 785	1.31	1.31	3.06	—
Series D							
Mar. 31, 2014	11.11	5 136	462	1.03	1.03	0.26	—
Mar. 31, 2013	10.94	5 892	539	1.08	1.08	3.06	—
Mar. 31, 2012 ⁴	10.13	490	48	1.12	1.12	—	—
Series F							
Mar. 31, 2014	11.14	18 472	1 658	0.91	0.91	0.26	—
Mar. 31, 2013	10.96	29 373	2 680	0.89	0.89	3.06	—
Mar. 31, 2012 ⁴	10.14	11 822	1 166	0.95	0.95	—	—
Series I							
Mar. 31, 2014	11.17	10 651	953	0.74	0.74	0.26	—
Mar. 31, 2013 ⁵	10.97	15 732	1 434	0.75	0.75	3.06	—
Series O							
Mar. 31, 2014	11.36	185 472	16 334	0.06	0.06	0.26	—
Mar. 31, 2013	11.07	228 649	20 649	0.06	0.06	3.06	—
Mar. 31, 2012 ⁴	10.16	92 253	9 084	0.09	0.09	—	—

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

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

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

⁴ From January 1, 2012.

⁵ From July 9, 2012.



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FINANCIAL HIGHLIGHTS (cont.)

Management Fees

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

	Management Fees	Breakdown of Services	
		Distribution	Other*
Series A	1.25%	40%	60%
Advisor Series	1.25%	40%	60%
Series H	1.10%	45%	55%
Series D	0.90%	17%	83%
Series F	0.75%	–	100%
Series I	0.60%	–	100%

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

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

PAST PERFORMANCE

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

Year-by-Year Returns (%)

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



Advisor Series¹ (%)



Series H² (%)



Series D¹ (%)



Series F¹ (%)



Series I² (%)



Series O¹ (%)





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PAST PERFORMANCE (cont.)

Annual Compound Returns (%)

The table shows the annual compound returns for each series of the Fund and for each of the periods indicated ended on March 31, 2014, compared with the following benchmark:

FTSE TMX Canada Universe Bond Index

	Past Year	Past 3 Years	Past 5 Years	Past 10 Years	Since Inception
Series A ¹	4.3	–	–	–	5.8
Benchmark	0.8	–	–	–	1.0
Advisor Series ¹	4.3	–	–	–	5.8
Benchmark	0.8	–	–	–	1.0
Series H ²	4.5	–	–	–	5.8
Benchmark	0.8	–	–	–	1.0
Series D ¹	4.8	–	–	–	6.2
Benchmark	0.8	–	–	–	1.0
Series F ¹	4.9	–	–	–	6.4
Benchmark	0.8	–	–	–	1.0
Series I ²	5.1	–	–	–	6.4
Benchmark	0.8	–	–	–	1.0
Series O ¹	5.8	–	–	–	7.3
Benchmark	0.8	–	–	–	1.0

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

¹ Inception date January 1, 2012.

² Inception date July 9, 2012.

INDEX DESCRIPTION

FTSE TMX Canada Universe Bond Index This index is designed as a broad measure of the Canadian investment-grade fixed-income market and includes bonds with maturities of at least one year. FTSE TMX Canada Universe Bond Index formerly known as DEX Universe Bond Index.

SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at March 31, 2014

Investment Mix

	% of Net Asset Value
United States	69.4
Canada	16.1
Luxembourg	2.8
Japan	1.1
Spain	1.1
United Kingdom	1.1
Cash/Other	8.4

Top 25 Holdings*

	% of Net Asset Value
Cash & Cash Equivalents	3.8
Ford Credit Canada Ltd. 7.500% Aug 18 15	2.8
Sprint Nextel Corp. 9.000% Nov 15 18	2.1
DISH DBS Corp. 7.875% Sep 1 19	2.0
Ball Corp. 5.750% May 15 21	1.9
Videotron Ltd. 6.875% Jul 15 21	1.7
NRG Energy Inc. 7.875% May 15 21	1.7
Rite Aid Corp. 8.000% Aug 15 20	1.6
Concho Resources Inc. 7.000% Jan 15 21	1.6
Smithfield Foods Inc. 6.625% Aug 15 22	1.5
T-Mobile USA Inc. 6.625% Apr 1 23	1.5
Continental Resources Inc. 7.125% Apr 1 21	1.5
ArcelorMittal USD 9.850% Jun 1 19	1.4
Reynolds Group Issuer Inc. 6.875% Feb 15 21	1.4
Lamar Media Corp. 5.375% Jan 15 24	1.4
Standard Pacific Corp. 8.375% Jan 15 21	1.3
HDTFS Inc. 6.250% Oct 15 22	1.3
Quebecor Media Inc. 7.375% Jan 15 21	1.3
Beazer Homes USA Inc. 6.625% Apr 15 18	1.3
Sonic Automotive Inc. 7.000% Jul 15 22	1.2
Toll Brothers Finance Corp. 5.875% Feb 15 22	1.2
Denbury Resources Inc. 8.250% Feb 15 20	1.2
Ingles Markets Inc. 5.750% Jun 15 23	1.2
Intelsat Jackson Holdings S.A. USD 7.250% Apr 1 19	1.2
Tenet Healthcare Corp. 6.000% Oct 1 20	1.2
Top 25 Holdings	40.3

* The Fund invests substantially all of its assets directly in the RBC High Yield Bond LP which obtains exposure to the RBC High Yield Bond Trust by entering into one or more forward contracts. The above are the Top 25 holdings of the RBC High Yield Bond Trust.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at www.rbcgam.com/funds.

The Simplified Prospectus and other information about the underlying fund and reference fund are available on SEDAR website at www.sedar.com.