



FIXED-INCOME FUND

RBC ADVISOR CANADIAN BOND FUND

December 31, 2014

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

The Board of Directors of RBC Global Asset Management Inc. approved this annual management report of fund performance on March 5, 2015.

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.



MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund seeks to provide a modest enhancement of long-term returns, consisting of income and modest capital gains, over that of its benchmark before fees and expenses are deducted, while keeping overall risk of underperformance to modest levels.

The Fund invests primarily in fixed-income securities such as bonds, debentures and notes issued by Canadian governments and corporations. The Fund may also invest in AAA-rated securities of selected agencies such as the World Bank whose debt is considered appropriate for conservative investors.

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 fell to \$47 million as of December 31, 2014, from \$85 million at the end of 2013. Most of the change was due to net redemptions.

Over the past year, the Fund's Advisor Series units gained 7.9%, which underperformed the 8.8% rise in the benchmark. The Fund's return is after the deduction of fees and expenses, while the benchmark and broad-based index returns do not include any costs of investing. See the Financial Highlights for the management expense ratios and the Past Performance section for the returns of other series, if any, which may vary because of differences in management fees and expenses.

Bond yields, both in Canada and globally, declined during the period amid geopolitical conflict, the spread of the deadly Ebola virus and looser European and Japanese monetary policies driven by slowing economic growth and fears of deflation. The end of the U.S. Federal Reserve's (the "Fed") bond-buying program in October was met with little fanfare, as investors turned their attention to Japan's launch of additional monetary stimulus and measures by Eurozone central bankers to support the economy and, more importantly, prevent deflation. Global deflationary forces were a large part of the reason that yields resisted the predictions of many investors that they would head higher during the year.

In this environment, Canadian bonds performed in line with U.S. fixed income. Canadian bond yields tend to fall less than U.S. yields in periods when interest rates are falling – usually leading to worse returns for Canadian bonds. However, this was not the case in 2014, as strong foreign demand for provincial bonds and Canadian corporate securities supported domestic bond prices. Another development that kept Canadian bond yields in check was the relative weakness of the Canadian economy, which reduced pressure on the Bank of Canada (the "BOC") to raise interest rates.

Provincial bonds were the best-performing asset in the Fund's benchmark. As a result, the Fund's overweight position in provincial securities was positive for relative performance. On a maturity basis, securities with terms exceeding 10 years performed best, boosted by investor demand for higher yields in the low-interest-rate environment. Demand for longer-term assets was also bolstered by subdued inflation.

Recent Developments

The Canadian economy is now faced with the need to adjust to declining oil prices, which fell to the lowest levels in five years late in 2014. Concern about the impact of falling oil prices on the Canadian economy prompted the BOC to cut its benchmark interest rate early in 2015. Over the next 12 months, the portfolio manager expects global bond yields to trade within recent ranges. However, yields should rise gradually assuming that U.S. unemployment stays low and the U.S. Fed starts the process of lifting benchmark interest rates from the extraordinarily low levels that had been warranted since the financial crisis.

Close attention needs to be paid to global events. Large-scale bond-buying in the Eurozone would force down yields in Europe, making higher-yielding Canadian bonds relatively attractive. Demand for income makes corporate and provincial bonds attractive relative to government bonds, and additional yield offered by these securities would help offset capital losses as yields rise. The Fund plans to maintain overweight positions in both areas.



Related-Party Transactions

Manager, Trustee and Portfolio Advisor

RBC GAM is an indirect, wholly owned subsidiary of Royal Bank of Canada ("Royal Bank") and is the manager, trustee and portfolio advisor of the Fund. RBC GAM is responsible for the Fund's day-to-day operations, holds title to the Fund's property on behalf of its unitholders, 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 principal distributors of, or distribute certain series of units of, the Fund. Dealers receive an ongoing commission based on the total value of their clients' Advisor Series units.

Custodian

RBC Investor Services Trust ("RBC IS") is the custodian and holds the assets of the Fund.

Registrar

RBC IS is the registrar of the Fund and keeps records of who owns the units 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.



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. For financial years beginning on or after January 1, 2014, financial highlight information is derived from financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For financial years prior to January 1, 2014, financial highlight information is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). "Net Assets," for the periods prior to 2014, are calculated in accordance with GAAP, and "Net Asset Value" is derived from the valuation method disclosed in the RBC 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. There is no significant difference between "Net Assets" and "Net Asset Value" under IFRS.

Change in Net Assets Per Unit (\$)

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		
Advisor Series												
Dec. 31, 2014	11.47	0.45	(0.11)	0.41	0.25	1.00	(0.33)	–	–	–	(0.33)	12.04
Dec. 31, 2013	12.04	0.44	(0.11)	0.12	(0.68)	(0.23)	(0.35)	–	–	–	(0.35)	11.46
Dec. 31, 2012	12.04	0.44	(0.11)	0.19	(0.19)	0.33	(0.34)	–	–	–	(0.34)	12.04
Dec. 31, 2011	11.44	0.48	(0.10)	0.31	0.29	0.98	(0.38)	–	–	–	(0.38)	12.04
Dec. 31, 2010	11.19	0.50	(0.10)	0.12	0.14	0.66	(0.41)	–	–	–	(0.41)	11.44
Series F												
Dec. 31, 2014	11.67	0.48	(0.07)	0.44	0.27	1.12	(0.37)	–	–	–	(0.37)	12.26
Dec. 31, 2013	12.25	0.45	(0.07)	0.13	(0.70)	(0.19)	(0.39)	–	–	–	(0.39)	11.66
Dec. 31, 2012	12.25	0.45	(0.07)	0.20	(0.19)	0.39	(0.39)	–	–	–	(0.39)	12.25
Dec. 31, 2011	11.63	0.49	(0.07)	0.31	0.29	1.02	(0.41)	–	–	–	(0.41)	12.25
Dec. 31, 2010	11.38	0.51	(0.07)	0.12	0.14	0.70	(0.46)	–	–	–	(0.46)	11.63
Series O												
Dec. 31, 2014	11.80	0.35	–	0.32	0.19	0.86	(0.46)	–	–	–	(0.46)	12.39
Dec. 31, 2013	12.36	0.45	–	0.13	(0.71)	(0.13)	(0.44)	–	–	–	(0.44)	11.79
Dec. 31, 2012	12.36	0.46	–	0.20	(0.19)	0.47	(0.46)	–	–	–	(0.46)	12.36
Dec. 31, 2011	11.77	0.49	–	0.31	0.29	1.09	(0.53)	–	–	–	(0.53)	12.36
Dec. 31, 2010	11.52	0.52	–	0.12	0.14	0.78	(0.53)	–	–	–	(0.53)	11.77

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

² Distributions are reinvested in additional units of the Fund or paid in cash.



FINANCIAL HIGHLIGHTS (cont.)

Ratios and Supplemental Data

As at	Net Asset Value Per Unit (\$)	Net Asset Value (\$000s)	Number of Units Outstanding (000s)	Management Expense Ratio (%) ¹	MER Before Absorption (%) ¹	Portfolio Turnover Rate (%) ²	Trading Expense Ratio (%) ³
Advisor Series							
Dec. 31, 2014	12.04	36 130	3 000	0.93	0.93	11.87	—
Dec. 31, 2013	11.47	42 079	3 668	0.93	0.93	18.55	—
Dec. 31, 2012	12.06	64 534	5 352	0.94	0.94	26.46	—
Dec. 31, 2011	12.05	70 869	5 879	0.94	0.94	37.92	—
Dec. 31, 2010	11.45	71 808	6 270	0.92	0.92	30.84	—
Series F							
Dec. 31, 2014	12.26	10 805	881	0.60	0.60	11.87	—
Dec. 31, 2013	11.67	9 669	828	0.61	0.61	18.55	—
Dec. 31, 2012	12.26	13 475	1 099	0.61	0.61	26.46	—
Dec. 31, 2011	12.26	15 498	1 264	0.61	0.61	37.92	—
Dec. 31, 2010	11.64	14 882	1 279	0.59	0.59	30.84	—
Series O							
Dec. 31, 2014	12.39	1	—	0.03	0.03	11.87	—
Dec. 31, 2013	11.80	33 458	2 836	0.02	0.02	18.55	—
Dec. 31, 2012	12.37	32 095	2 595	0.02	0.02	26.46	—
Dec. 31, 2011	12.37	37 776	3 054	0.03	0.03	37.92	—
Dec. 31, 2010	11.78	60 471	5 132	0.02	0.02	30.84	—

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 unitholders, 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. The portfolio turnover rate is not applicable to money market funds.

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.

Management Fees

RBC GAM is the manager, trustee and portfolio advisor of the Fund. Management fees of each series of the Fund are calculated at the 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*
Advisor Series	0.80%	31%	69%
Series F	0.50%	—	100%

Series O – no management fees are paid by the Fund with respect to Series O units. Series O unitholders pay a negotiated fee directly to RBC GAM for investment-counselling services.

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

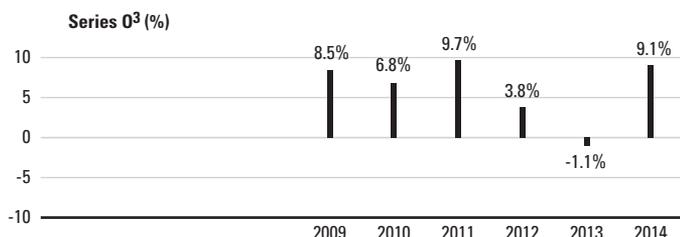
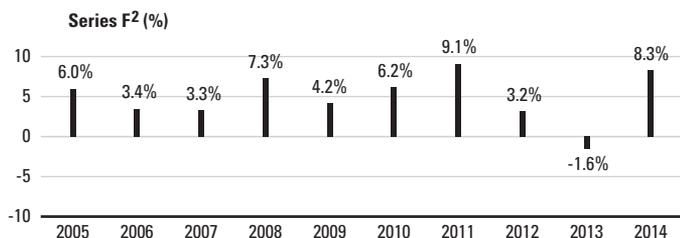
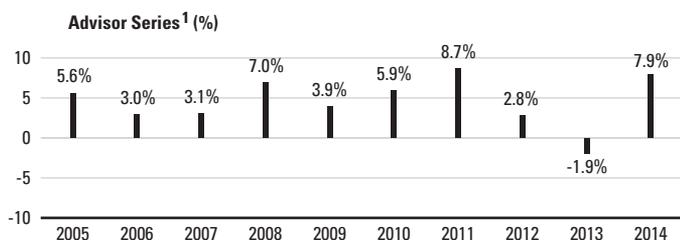


PAST PERFORMANCE

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.



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 December 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
Advisor Series ¹	7.9	2.9	4.6	4.6	—
Benchmark	8.8	3.7	5.4	5.3	—
Series F ²	8.3	3.2	5.0	4.9	—
Benchmark	8.8	3.7	5.4	5.3	—
Series O ³	9.1	3.9	5.6	—	7.1
Benchmark	8.8	3.7	5.4	—	5.2

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

¹ Inception date November 15, 1999.

² Inception date October 29, 2001.

³ Inception date October 26, 2009.

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 fixed-income benchmarks were known as the DEX benchmarks before a name change.



SUMMARY OF INVESTMENT PORTFOLIO

(after consideration of derivative products, if any)

As at December 31, 2014

Investment Mix

	% of Net Asset Value
Provincial/Municipal Bonds	36.8
Corporate Bonds	35.7
Federal Bonds	25.7
Cash/Other	1.8

Top 25 Holdings

	% of Net Asset Value
Canada Housing Trust No. 1 1.850% Dec 15 16	6.2
Canada Housing Trust No. 1 3.350% Dec 15 20	4.5
Canada Housing Trust No. 1 1.700% Dec 15 17	3.9
Province of Ontario 4.200% Jun 2 20	3.6
Province of Ontario 4.650% Jun 2 41	3.3
Province of New Brunswick 5.650% Dec 27 28	2.8
Royal Bank of Canada 2.580% Apr 13 17	2.6
Government of Canada 4.000% Jun 1 41	2.6
Government of Canada 1.250% Mar 1 18	2.6
Province of Quebec 3.500% Dec 1 22	2.5
TCHC Issuer Trust 4.877% May 11 37	2.5
Province of Manitoba 4.650% Mar 5 40	2.4
Province of Quebec 4.500% Dec 1 17	2.3
Province of Quebec 9.500% Mar 30 23	2.2
Province of Ontario 2.850% Jun 2 23	2.2
Province of Quebec 5.000% Dec 1 41	1.9
Government of Canada 3.500% Dec 1 45	1.9
Government of Canada 1.500% Jun 1 23	1.8
Province of Ontario 6.500% Mar 8 29	1.8
Province of Nova Scotia 4.900% Jun 1 35	1.7
Province of Quebec 4.500% Dec 1 19	1.7
Province of Ontario 3.150% Jun 2 22	1.5
Province of Ontario 2.100% Sep 8 18	1.4
Bank of Montreal 2.240% Dec 11 17	1.4
Government of Canada 2.500% Jun 1 24	1.3
Top 25 Holdings	62.6

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.