

Perspectives on Current Market Developments



There has been a great deal of attention in the media over the past few months regarding reported inappropriate business practices at a number of U.S. mutual fund companies. Understandably, this has raised questions about whether the same issues are present here in the Canadian mutual fund industry.

At RBC Asset Management, we take these matters very seriously. Trust and integrity are the cornerstones of our business and we are focused on our responsibilities in managing *our clients'* money. Establishing and maintaining your trust is central to building a strong relationship with you.

It is very important to us that you understand the structure that we have in place to support our fiduciary responsibilities to our clients. We believe that trust is developed and supported by three key elements – Ethics, Governance and Compliance.

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Ethics

For RBC Asset Management, ethics refers to the principles of conduct governing our behaviour in servicing our clients. Put another way, ethics are about understanding the difference between right and wrong. This dictates how we act in dealing with situations where specific rules or guidelines do not exist. Our ethical standards serve to guide our judgement and behaviour with respect to our clients and are part of everything we do.

RBC Code of Conduct

In keeping with this principle, RBC Financial Group has established a Code of Conduct to give all employees the same frame of reference in dealing with ethical and legal concerns. There are 8 guiding principles that form the foundation of our Code of Conduct:

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| > Upholding the Law | > Honouring Trust |
| > Confidentiality | > Objectivity |
| > Fairness | > Integrity |
| > Corporate Responsibility | > Individual Responsibility |

To show our commitment to high ethical standards, the RBC Code of Conduct is reviewed and agreed to by *all employees* of RBC Financial Group on a regular basis.



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Governance

Within RBC, strong corporate governance is a value that has long been in place and one that we continually seek to strengthen. We firmly believe that a strong governance structure provides an integral link between our core values and the daily operation of our funds.

- > We are required by law to ensure that the management team within RBC Asset Management is comprised of experienced, accredited personnel who are personally accountable for the operation of the business and our funds. As the manager, we have a fiduciary responsibility to the funds' unitholders.
- > We have a corporate **Board of Directors**, comprised of senior RBC executives, which oversees the activities of RBC Asset Management.
- > We were one of the first mutual fund firms to voluntarily establish an **Independent Board of Governors**. Established in 1994, this Board provides advice on regulatory and governance issues and potential conflicts of interest related to our funds. The Board also reviews fund performance and expenses charged to the funds on a regular basis.
- > We are committed to a transparent and collaborative relationship with Canadian regulators and are supportive of the new governance models being proposed by the Canadian Securities Administrators.
- > We are actively involved with the Investment Funds Institute of Canada (IFIC), which provides guidance to the mutual fund industry on many regulatory issues.

We are conscious of current regulatory developments and will continuously evolve our practices with the objective of remaining "best in class" with respect to corporate governance.

Compliance

RBC Financial Group has a focus on compliance and risk management throughout all businesses. As required by law, RBC Asset Management has a Chief Compliance Officer and a dedicated compliance team who are supported by RBC Financial Group's Risk Management department. The Chief Compliance Officer reports directly to the CEO and Chairman of RBC Asset Management and also has an independent reporting relationship to RBC's overall risk management and compliance function. In addition, our risk management efforts are supported by strong internal and external legal and audit teams.

Existing Canadian regulatory practices and internal compliance policies already address many of the issues arising in the U.S. mutual fund industry. We openly participate in discussions about developing issues and regulatory practices with Canadian regulators. Within RBC Asset Management, we have existing policies dealing with issues such as Personal Trading, Late Trading and Market Timing

- > **Personal trading.** Senior management of RBC Asset Management, portfolio managers and other staff are subject to personal trading rules to ensure that their trades do not conflict with the best interests of the funds.
- > **Late trading.** RBC Asset Management conforms to Canadian mutual fund industry standards imposing a "hard close" on all systems, meaning that all orders received after 4:00 pm (ET) are processed the following day.
- > **Market timing.** We discourage excessive trading and seek to identify and terminate activity considered to be potentially detrimental to our clients. We do not accept proposals to facilitate market timing within our funds, even if the funds are compensated for these activities.

Our combined focus on ethics, governance and compliance has created an organizational structure that allows RBC Asset Management to successfully meet our business objectives and the expectations of our clients. By consistently applying these principles, we confidently continue to offer reliable and strong investment solutions for our clients.

Please read the prospectus before investing. There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. RBC Funds are offered by RBC Asset Management Inc. and distributed through authorized dealers. RBC Asset Management is a Member Company under RBC Investments.