



December 31, 2008

Dear Investor:

The members of your Board of Governors are proud to serve the interests of the RBC Funds and the investors who place their trust in the integrity and professional expertise of RBC Asset Management Inc., the manager of the funds.

Effective December 1, 2006, your Board of Governors was designated as the independent review committee of the RBC Funds and other mutual funds managed by the manager pursuant to the provisions of *National Instrument 81-107, Independent Review Committee for Investment Funds*.

Securities regulators have given the Board of Governors a specific role to review mutual fund conflict of interest matters identified and referred to us by RBC Asset Management Inc. and to give our approval or recommendation. Our focus is on the question of whether the manager's proposed action achieves a fair and reasonable result for the mutual fund.

In November 2008, the Board of Governors completed its second full year of implementation of National Instrument 81-107. We continued to meet with the manager on a quarterly basis and received the manager's ongoing reports of compliance with its policies. In September 2008, we conducted a review and assessment of the adequacy and effectiveness of the manager's policies and procedures relating to conflict of interest matters in respect of the RBC Funds.

In order to effectively manage our workload, the Board of Governors relies on the efforts and advice of its three sub-committees: the Financial Advisory Committee, the Investment Conflicts Committee and the Governance Committee. In November 2008, we completed assessments of our effectiveness as a Board, the effectiveness of each sub-committee, and the effectiveness and contribution of each of our members. As part of our requirements, we also reviewed the compensation and independence of our members.

The Board of Governors maintains its important role of providing advice to RBC Asset Management Inc. on other issues relating to the management of the RBC Funds. The industry information and ongoing continuing education provided to us by the manager help us to maintain high standards and best practices in mutual fund governance.

We are pleased to publish this third annual report to unitholders of the RBC Funds.

Lloyd R. McGinnis, OC, PEng
Chair of the Board of Governors



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Members of the Board of Governors		Length of Service on former Advisory Board of Governors
Name	Residence	First appointed¹
Lloyd R. McGinnis Chair of the Board of Governors	Winnipeg, Manitoba	July 1994
Michael G. Thorley^{2,7} Vice Chair of the Board of Governors	Toronto, Ontario	July 1994
Selwyn B. Kossuth^{5,7}	Mississauga, Ontario	October 1995
Charles F. Macfarlane^{5,7}	Toronto, Ontario	September 2006
Linda S. Petch⁶	Victoria, British Columbia	May 2006
Elaine C. Phénix³	Montreal, Québec	December 1999
Mary C. Ritchie^{4,5}	Edmonton, Alberta	March 2002
Joseph P. Shannon⁶	Port Hawkesbury, Nova Scotia	February 1998
James W. Yuel⁶	Saskatoon, Saskatchewan	December 2000

There were no changes in the composition of the Board of Governors in the period. The Board of Governors also serves as the independent review committee of the RBC Private Pools.

Mr. Thorley, Mr. Kossuth, Ms. Petch and Ms. Ritchie also serve on the independent review committee of the Phillips, Hager & North family of funds.

Notes:

¹ Each Governor has been a member of the independent review committee since its inception on December 1, 2006.

² Chair and member of the Investment Conflicts Committee.

³ Chair and member of the Governance Committee.

⁴ Chair and member of the Financial Advisory Committee.

⁵ Member of the Investment Conflicts Committee.

⁶ Member of the Governance Committee.

⁷ Member of the Financial Advisory Committee.

Holdings of Securities

(a) Funds

As at December 31, 2008, the percentage of units of each series of the Funds beneficially owned, directly or indirectly, in aggregate, by all members of the Board of Governors did not exceed 10 per cent.

(b) Manager

As at December 31, 2008, no member of the Board of Governors beneficially owned, directly or indirectly, any class or series of voting or equity securities of the manager.

(c) Service providers

Royal Bank of Canada and its affiliates and associates are service providers to the Funds and RBC Asset Management Inc. As at December 31, 2008, the percentage of securities of each class of voting or equity securities of Royal Bank of Canada beneficially owned, directly or indirectly, in aggregate, by all members of the Board of Governors was less than 0.01 per cent.



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Compensation and Indemnities

The aggregate compensation paid by the Funds to the Board of Governors in its capacity as the independent review committee of the Funds for the year was \$304,260. This amount was allocated among the Funds.

No indemnities were paid to the Board of Governors by the Funds during the period.

At least annually, the Governance Committee and the Board of Governors review the compensation of the Board of Governors giving consideration to the following:

1. the best interests of the Funds;
2. that each Fund must pay its reasonable allocation of the compensation of the Board of Governors from the assets of the Fund;
3. that compensation paid to the Board of Governors by each Fund should fairly and reasonably reflect the general and specific benefits accruing to the Fund;
4. the number, nature and complexity of the Funds for which the Board of Governors acts; and
5. the nature and extent of the workload of each member of the Board of Governors.

Conflict of Interest Matters*Approvals and Standing Instructions*

The manager relied on the following approvals and standing instructions of the Board of Governors in the period. In each case, the standing instructions required the manager to comply with its related policy and procedures and to report periodically to the Board of Governors.

1. Allowing the Funds to purchase securities issued by the Royal Bank of Canada
2. Allowing the Funds to participate in securities offerings underwritten by related parties
3. Allowing the Funds to trade in equity and debt securities with related parties as principal
4. Allowing the Funds to make inter-fund trades.

Positive Recommendations

The manager received positive recommendations with respect to its exercise of the Royal Bank of Canada 2008 annual meeting proxies received by certain Funds and with respect to changes to the underlying fixed-income funds held by three RBC Select Choices Portfolios.

Positive Recommendations and Standing Instructions

The manager received positive recommendations and standing instructions with respect to the conflict of interest matters addressed by the following policies. In each case, the standing instructions required the manager to comply with its related policy and procedures and to report periodically to the Board of Governors.

1. Employee Personal Trading Policy
2. Fund Expense Policy including Related-Party Expenses
3. Soft Dollar Policy
4. Trading Policies including broker selection and trade allocations
5. Fair Value Policy
6. Net Asset Value Error Correction Policy
7. Proxy Voting Policy
8. Excessive Trading Policy
9. Large Unitholder Policy
10. Payments, Gifts and Entertainment Policy
11. Changing Sub-advisors or Service Providers Policy



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RBC Funds

Money Market Funds

RBC Canadian T-Bill Fund⁵
 RBC Canadian Money Market Fund⁷
 RBC Premium Money Market Fund⁸
 RBC \$U.S. Money Market Fund⁵
 RBC Premium \$U.S. Money Market Fund⁸

Income Funds

RBC Canadian Short-Term Income Fund⁷
 RBC Bond Fund⁷
 RBC Advisor Canadian Bond Fund⁶
 RBC Canadian Bond Index Fund¹
 RBC Monthly Income Fund⁹
 RBC \$U.S. Income Fund⁴
 RBC Global Bond Fund⁷
 RBC Global Corporate Bond Fund⁷
 RBC Global High Yield Fund⁷

Managed Payout Solutions

RBC Managed Payout Solution
 (formerly, RBC Cash Flow Portfolio)¹⁴
 RBC Managed Payout Solution – Enhanced
 (formerly, RBC Enhanced Cash Flow Portfolio)¹⁴
 RBC Managed Payout Solution – Enhanced Plus
 (formerly, RBC Tax Managed Return Fund)⁹

Portfolio Solutions

RBC Balanced Fund¹³
 RBC Balanced Growth Fund¹⁰
 RBC Jantzi Balanced Fund¹²
 RBC Select Conservative Portfolio¹⁵
 RBC Select Balanced Portfolio¹⁵
 RBC Select Growth Portfolio¹⁵
 RBC Select Aggressive Growth Portfolio¹⁵
 RBC Select Choices Conservative Portfolio²
 RBC Select Choices Balanced Portfolio²
 RBC Select Choices Growth Portfolio²
 RBC Select Choices Aggressive
 Growth Portfolio²

Portfolio Solutions (cont.)

RBC Target 2010 Education Fund¹
 RBC Target 2015 Education Fund¹
 RBC Target 2020 Education Fund¹
 RBC Target 2025 Education Fund¹

Canadian Equity Funds

RBC Canadian Dividend Fund¹³
 RBC Canadian Equity Fund⁷
 RBC Jantzi Canadian Equity Fund¹²
 RBC Canadian Index Fund¹
 RBC O'Shaughnessy Canadian Equity Fund⁴
 RBC O'Shaughnessy All-Canadian Equity Fund⁹
 RBC Canadian Diversified Income Trust Fund⁹

North American Equity Funds

RBC North American Dividend Fund¹⁰
 RBC North American Value Fund⁹
 RBC North American Growth Fund⁷

U.S. Equity Funds

RBC U.S. Equity Fund⁷
 RBC U.S. Equity Currency Neutral Fund⁹
 RBC U.S. Index Fund¹
 RBC U.S. Index Currency Neutral Fund¹
 RBC O'Shaughnessy U.S. Value Fund⁷
 RBC U.S. Mid-Cap Equity Fund⁷
 RBC U.S. Mid-Cap Equity Currency Neutral Fund⁹
 RBC O'Shaughnessy U.S. Growth Fund¹¹
 RBC O'Shaughnessy U.S. Growth Fund II⁴
 RBC Life Science and Technology Fund³

International Equity Funds

RBC International Equity Fund⁹
 RBC International Index Currency Neutral Fund¹
 RBC O'Shaughnessy International Equity Fund⁷
 RBC European Equity Fund⁹
 RBC Asian Equity Fund⁹

Global Equity Funds

RBC Global Dividend Growth Fund¹³
 RBC Jantzi Global Equity Fund¹²
 RBC O'Shaughnessy Global Equity Fund⁷
 RBC Global Energy Fund⁴
 RBC Global Precious Metals Fund¹²
 RBC Global Consumer and Financials Fund⁴
 RBC Global Health Sciences Fund⁴
 RBC Global Resources Fund⁴
 RBC Global Technology Fund⁴

RBC DS Funds

RBC DS Canadian Focus Fund⁶
 RBC DS North American Focus Fund⁶
 RBC DS International Focus Fund⁶
 RBC DS Balanced Global Portfolio⁶
 RBC DS Growth Global Portfolio⁶
 RBC DS All Equity Global Portfolio⁶

¹ Offering Series A units only.² Offering Series A and Advisor Series units only.³ Offering Series A, Series D and Series F units only.⁴ Offering Series A, Advisor Series, Series D and Series F units only.⁵ Offering Series A, Series D, Series I and Series O units only.⁶ Offering Advisor Series and Series F units only.⁷ Offering Series A, Advisor Series, Series D, Series F, Series I and Series O units only.⁸ Offering Series A, Series F and Series I units only.⁹ Offering Series A, Advisor Series, Series D, Series F and Series O units only.¹⁰ Offering Series A, Advisor Series, Series T, Series D, Series F and Series O units only.¹¹ Offering Series A, Series D, Series F and Series O units only.¹² Offering Series A, Advisor Series, Series D, Series F and Series I units only.¹³ Offering Series A, Advisor Series, Series T, Series D, Series F, Series I and Series O units.¹⁴ Offering Series A, Advisor Series and Series F units only.¹⁵ Offering Series A, Advisor Series, Series F and Series O units only.