



# RBC Balanced Fund

Managed by RBC Asset Management  
Investment Policy Committee

**Fund Inception Date** December 1987  
**Net Assets** \$9,168.1MM  
**NAV – Series A** \$12.43  
**2008 MER – Series A\*** 2.25%  
**Distribution Policy**  
 Income: Quarterly  
 Capital Gains: Annually (Dec.)  
**Benchmark**  
 55% S&P/TSX Composite Capped Total Return Index  
 45% DEX Universe Bond Index  
 \* Based on actual expenses for half-year period  
 January 1 to June 30, 2008, expressed on an annualized basis.

**Investment Objectives**  
 To provide a combination of modest income and capital growth by investing in a balance of Canadian equities, foreign equities, bonds and short-term debt securities.

**Fund Code**  
 Series A – RBF 272  
 Advisor Series ISC – RBF 738  
 Advisor Series DSC – RBF 838  
 Advisor Series Low Load – RBF 123  
 Series F – RBF 604

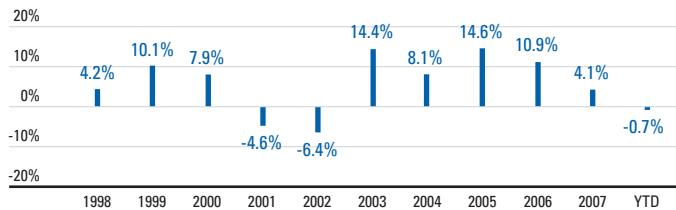
	Registered	Non-Registered
<b>Minimum Investment</b>		
Initial Investment	\$500	\$500
Additional Investment	\$25	\$25
Pre-Authorized Contribution	\$25	\$25

### Trailing Performance – Series A (%)

	1 mo.	3 mo.	6 mo.	1 yr.	3 yr.	5 yr.	10 yr.	Since Inception
<b>Fund (%)</b>	-2.2	2.6	-0.7	0.2	7.6	9.5	5.4	7.9
<b>Quartile Ranking*</b>	3	2	3	2	1	1	2	

\* Source : Morningstar Canada

### Calendar Performance – Series A



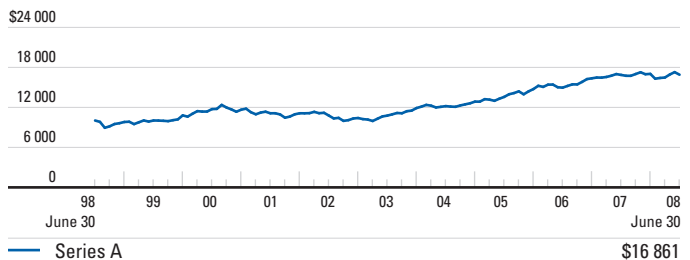
Quartile Ranking†

3	2	3	4	3	2	3	1	1	1	3
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† Source: Morningstar Canada

### Performance History

(Growth of \$10,000 over 10 years or since inception)



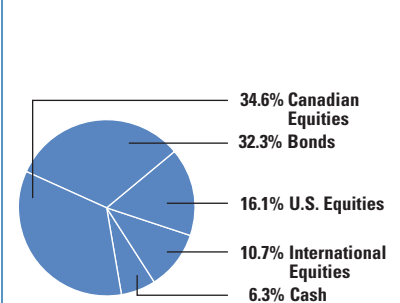
### Summary of Investment Portfolio

Top 25 Holdings	Market Value (\$000)	% of Net Assets	Top 25 Holdings	Market Value (\$000)	% of Net Assets
Cash & Cash Equivalents	577 445	6.3	Prov. of Ontario 9.500% Jul 13 22	97 730	1.1
EnCana Corp.	182 313	2.0	Bank of Nova Scotia	93 030	1.0
Potash Corp. of Saskatchewan Inc.	170 047	1.9	Prov. of Quebec 5.500% Jun 01 09	91 750	1.0
Research In Motion Ltd.	136 728	1.5	Canada Housing Trust No. 1	90 372	1.0
Manulife Financial Corporation	130 497	1.4	3.750% Mar 15 10		
Canadian Natural Resources Ltd.	122 016	1.3	Prov. of British Columbia		
Toronto-Dominion Bank	120 482	1.3	6.375% Aug 23 10	71 820	0.8
Suncor Energy Inc.	118 009	1.3	Gov. of Canada 5.750% Jun 01 33	70 024	0.8
Royal Bank of Canada	117 880	1.3	Prov. of Quebec 6.000% Oct 01 12	70 016	0.8
Goldcorp Inc.	115 102	1.3	Prov. of Manitoba 6.500% Sep 22 17	64 495	0.7
Gov. of Canada 4.500% Jun 01 15	108 718	1.2	Prov. of Manitoba 6.500% Oct 01 12	64 326	0.7
Prov. of Quebec 4.500% Dec 01 17	105 311	1.1	Prov. of Quebec 5.250% Oct 01 13	58 896	0.6
Canada Housing Trust No. 1			Prov. of Ontario 6.500% Mar 08 29	57 783	0.6
3.550% Sep 15 10	99 889	1.1	Prov. of Ontario 3.850% Mar 08 33	57 573	0.6
			<b>Total</b>	<b>2 992 252</b>	<b>32.7</b>

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund.

### Portfolio Composition

Asset Mix



**Note** These pages are not complete without the disclaimer on page 172. Fund-specific information is on page 172.



## RBC Balanced Fund

## Commentary

- ▶ These RBC Balanced Fund returned 2.6% in the second quarter of 2008.
- ▶ The first half of 2008 was characterized by a weakening global economy, sluggish stock markets and steady deterioration in corporate credit markets. By the end of the second quarter, the market focus had shifted from slowing growth to concern that higher commodity prices would generate unwelcome inflation.
- ▶ The Fed and the Bank of Canada continued cutting short-term interest rates in the first half of 2008 in an effort to stave off a recession, and in such an environment, investors gravitated to government securities. The Fund's policy is to hold overweight positions in investment-grade corporate bonds, high-yield corporate securities and emerging-market bonds, and this approach had a negative effect on performance during the first half. On a positive note, the Fund's position in real-return bonds contributed to results.
- ▶ Canada's stock market was the best-performing among major economies. Materials, Energy and Industrials were the best-performing sectors in the Fund. In Europe, the Fund's decision to hold Financial and Consumer Discretionary stocks at below-benchmark levels contributed to performance, as many European banks were forced to record writedowns on holdings of U.S. subprime-mortgage bonds.
- ▶ In Asia, the Fund's Japan weighting shifted closer to neutral from underweight, and this aided Fund performance. South Korea and Taiwan were generally overweight, although this ended up negatively affecting the Fund after a post-election rally in Taiwan did not materialize, and China continued to disappoint.
- ▶ In the portfolio manager's opinion, the North American economy has moved past its period of maximum vulnerability. Falling short-term interest rates, fiscal relief and a weak U.S. dollar, are now beginning to offset pressure from the housing crisis, credit crunch and rising commodity prices.
- ▶ Volatility in Canadian credit markets should continue in the near term as a general flight from riskier assets and new issuance by domestic banks continue to weigh on prices. From a longer-term perspective, however, these markets present rare opportunities. During the first half, the Fund began adding to its holdings of investment-grade bonds and established a position in U.S. government guaranteed agency securities (GNMA), while reducing holdings of real-return and Japanese government bonds.



## Distributions – Series A

	YTD	2007	2006	2005	2004	2003
MER (%)	2.25*	2.27	2.28	2.32	2.35	2.35
Total Distributions (\$)	0.00**	0.95	0.96	0.51	0.20	0.00
Interest	–	0.00	0.01	0.07	0.00	0.00
Dividends	–	0.13	0.12	0.08	0.06	0.00
Capital Gains	–	0.82	0.83	0.37	0.14	0.00
Return of Capital	–	0.00	0.00	0.00	0.00	0.00

\* Based on actual expenses for half-year period January 1 to June 30, 2008, expressed on an annualized basis.  
 \*\* Distributions are characterized into income type at year-end.

## Top Sector Mix (%)

	Mar. '08	June '08
Energy	11.3	14.0
Financials	13.0	10.5
Materials	8.5	9.6
Industrials	5.3	4.6
Information Technology	4.5	4.6
Consumer Discretionary	3.3	2.7
Health Care	2.7	2.5
Telecommunication Services	2.9	2.5
Consumer Staples	2.8	2.2
Utilities	1.4	1.4

## Downside Risk

Rolling Returns*	1 yr.	Ended	3 yr.	Ended	5 yr.	Ended	10 yr.	Ended
Best	26.37%	Jan-94	16.53%	Jan-94	12.72%	Sep-97	11.29%	Aug-00
Worst	-12.74%	Sep-01	-4.52%	Mar-03	-0.22%	Mar-03	5.06%	Mar-08
Average	8.37%		8.25%		8.07%		7.88%	
Total periods	235		211		187		127	
Percentage of positive periods	80%		95%		99%		100%	

\* Ended June 30, 2008

# DISCLAIMER

Please consult your financial advisor and 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. Except as otherwise noted, the indicated rates of return are the historical annual compounded total returns for the period ended June 30, 2008. The rates of return for periods of less than one year are simple rates of return. All rates of return and performance data include changes in unit value and assume reinvestment of all distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholders that would have reduced returns. Mutual funds are not guaranteed or covered by the Canada Deposit Insurance Corporation or any other government deposit insurer. For money market funds, there can be no assurances that a fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in a fund will be returned to you. For money market funds, the current yield is an annualized historical yield based on the seven-day period ended on June 30, 2008, and does not represent an actual one year return. RBC Funds are offered by RBC Asset Management Inc. and distributed through authorized dealers. RBC Canadian Short-Term Income Fund's investment objective changed June 28, 2002.

RBC U.S. Mid-Cap Equity Fund's and RBC Global Balanced Fund's portfolio advisor and investment objectives changed June 29, 2001. RBC Balanced Growth Fund is the continuing fund resulting from a merger with RBC Global Balanced Fund on July 4, 2006. RBC Balanced Growth Fund's investment objective changed July 4, 2006.

RBC Canadian Index Fund, RBC North American Growth Fund, RBC U.S. Index Fund, RBC Asian Equity Fund and RBC Global Technology Fund are continuing funds resulting from mergers effective June 28, 2002. RBC North American Growth Fund's investment objective changed July 4, 2006. The inception date for the RBC Asian Equity Fund is August 1993. The Fund's investment objectives changed June 28, 2002. The "Since Inception" rate of return for this Fund includes data from June 28, 2002 only.

The inception date for the RBC Global Technology Fund is June 2000. The Fund's investment objective changed June 28, 2002 and July 4, 2006. The "Since Inception" rate of return for this Fund includes data from June 28, 2002 only.

The inception date for the RBC U.S. Equity Fund is July 1966; however the "Since Inception" rate of return for this Fund includes data from October 1972 only.

RBC European Equity Fund's portfolio advisor changed July 1, 2002.

RBC Jantzi Balanced Fund, RBC Jantzi Canadian Equity Fund, RBC Jantzi Global Equity Fund and RBC Target 2025 Education Fund were launched on July 3, 2007. RBC Premium \$U.S. Money Market Fund was launched November 1, 2007. RBC O'Shaughnessy U.S. Growth Fund II was launched January 14, 2008. Securities regulations do not allow us to report performance for any series of an investment that has been available for less than one year.

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, 2008.

For more information, please see [www.morningstar.ca](http://www.morningstar.ca).

The information contained in the Investment Outlook, Asset Class Commentary and Fund Commentaries is compiled from sources believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy. All opinions contained in the Investment Outlook, Asset Class Commentary are current to June 30, 2008 and in the Fund Commentaries are current to June 30, 2008, and are subject to change without notice and are provided in good faith without legal responsibility.

As of December 9, 2005, units of the RBC Monthly Income Fund are no longer available for purchase in registered plans, except through a pre-authorized investment plan established prior to December 9, 2005. Purchases in non-registered plans continue unaffected.

Effective June 30, 2006, RBC O'Shaughnessy U.S. Growth Fund is closed to new purchases, except through a pre-authorized investment plan established with RBC Asset Management and through automatic reinvestment of distributions.

Effective January 19, 2007, RBC O'Shaughnessy Canadian Equity Fund is closed to new purchases, except through a pre-authorized investment plan established with RBC Asset Management and through automatic reinvestment of distributions.

RBC Target 2015 Education Fund is the continuing fund resulting from a merger with RBC Global Education Fund on July 4, 2006.

The investment objectives of the RBC North American Dividend Fund, RBC North American Value Fund, RBC Global Energy Fund, RBC Global Precious Metals Fund, RBC Global Resources Fund and the RBC Global Consumer and Financials Fund changed July 4, 2006.

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