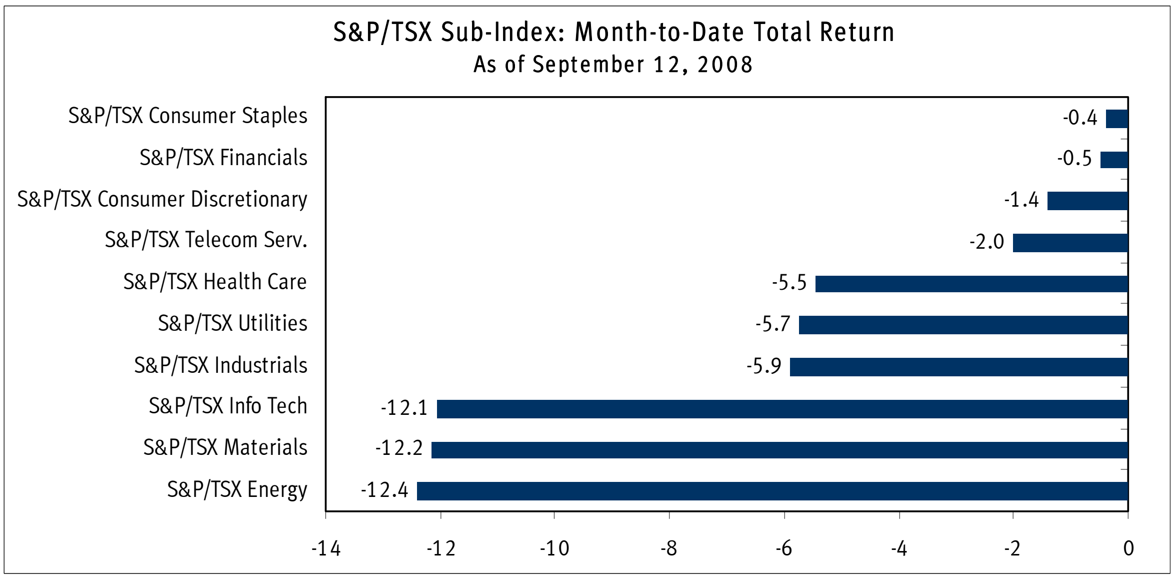
RBC Asset Management®

Canadian Equities
Quality investment management in all types of markets

When markets are not performing well it's sometimes difficult to keep things in perspective and remember that short-term movements are not indicative of long-term trends. September has been a good example of this as we got off to a shaky start in Canadian equity markets.

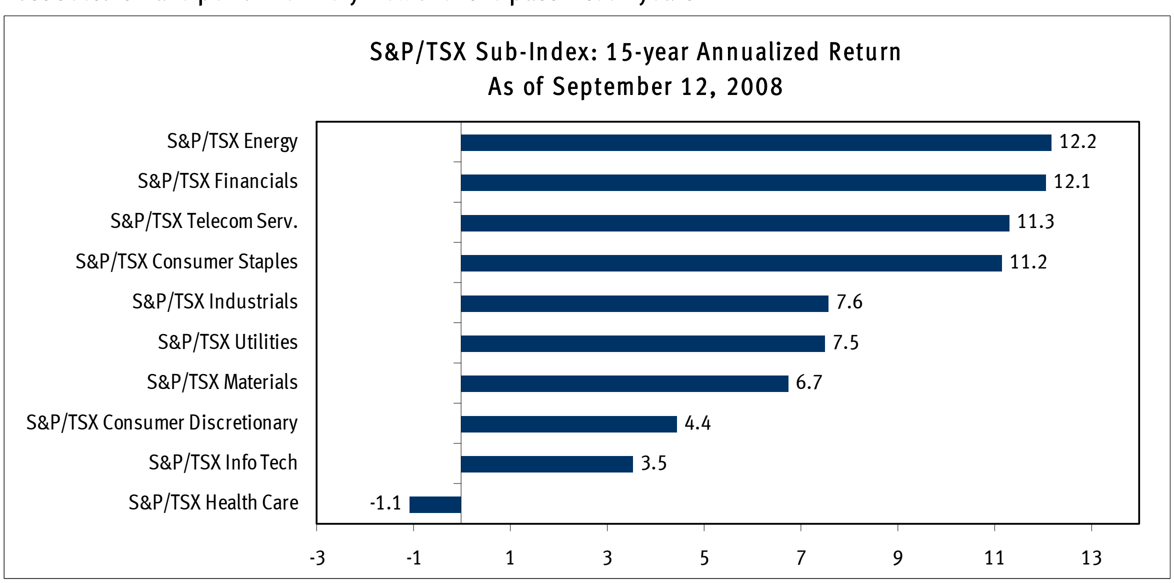
Most sectors in the Canadian market have struggled the last two weeks



Source: S&P/TSX Composite Index, RBC Asset Management

But if we pause to broaden our perspective over the last fifteen years the story is quite different.

Most sectors have performed very well over the past fifteen years



Source: S&P/TSX Composite Index, RBC Asset Management

So what's going on in Canadian equity markets right now?

While equity markets are down globally, Canada has been hit especially hard due to the concentration of the TSX in natural resources. As of September 9th, 2008, the S&P/TSX Index was down 11.8% month-to-date. This is due mainly to declining commodity prices as 9.5% of the 11.8% decline was attributable to Resource stocks.

However, we believe that short-term pressure on commodity prices is largely cyclical. Many of the underpinnings that have driven commodity markets higher over the past few years, such as strong demand from growing global economies, limited production capacity and low inventory levels bode well for commodities in the long-term. Within the Resource sector, our funds are focused on quality companies with long-life reserves, good balance sheets and strong cash flows.

There is positive news for Canada outside of Resources. Financials make up another large component of the Canadian equity market and Canadian banks, with attractive capital positions and favourable dividend yields, compare well to many of their international counterparts who have seen much more impact from the credit crunch. We also see long-term opportunities in other sectors with select companies that generate good returns, creating levels of cash flow that can be used to grow the business. Whereas over the past few years we have considered Canadian stocks to be expensive relative to their long-term potential, we no longer view Canadian equities, as a whole, as being expensive. They have moved back within our fair value band, which represents levels that are historically consistent with low inflation and moderate growth. When we look at what's going on globally and we think about the factors that will drive our market over time, it certainly raises our comfort level for Canadian equities.

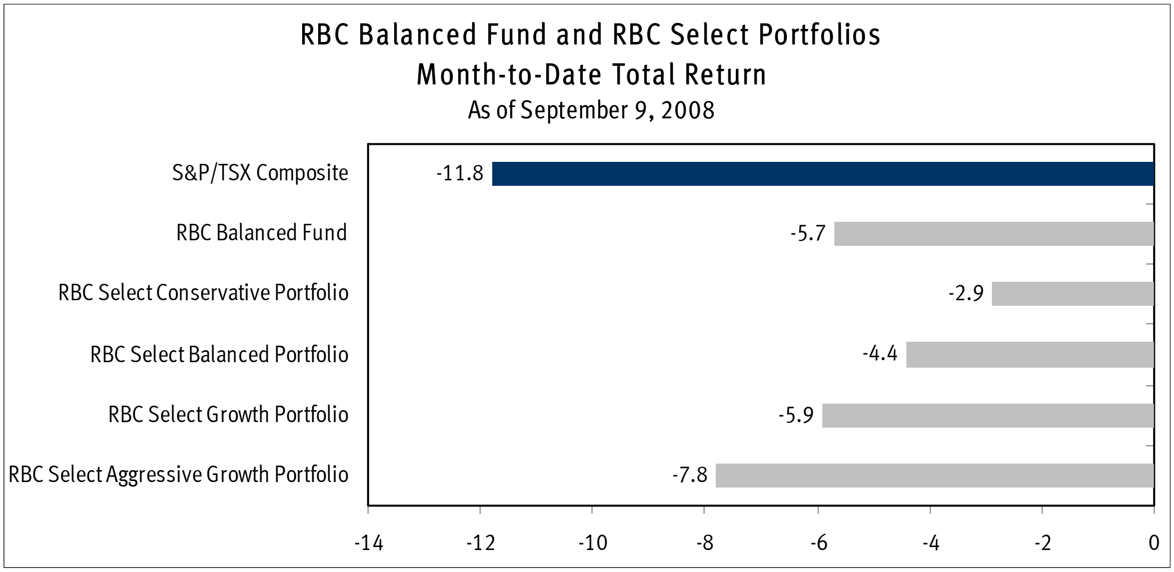
Strong investment management matters

When markets are volatile, stock selection becomes an increasingly important success factor for investors. Our multi-disciplined approach to stock selection is based on three types of analysis — fundamental, quantitative and technical — that work together to identify a universe of good potential investments, and eliminate many under-performing securities early in the process. Our experienced team of investment managers has expertise across different sectors and geographies and is focused on delivering long term results for investors.

What can investors do?

Faced with the ongoing prospect of continued market volatility, investors should review their risk tolerance to ensure it fits with the asset mix of their portfolios. Market performance over the past several months serves to underline the fact that asset allocation and diversification remain two of the most important aspects of investing. A diversified portfolio will include equity, fixed income and cash investments helping to reduce the impact of equity market corrections. Canada only represents a small percentage of the world's economy. By diversifying to include U.S. and international equities investors gain exposure to a broader range of sectors and opportunities.

The Power of Diversification



Source: RBC Asset Management

The above chart demonstrates the value of professional investment management, as well as how asset allocation and diversification can reduce volatility in your investment portfolio. Talk to your advisor for more information about what you can do to invest successfully through all types of markets.

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Returns as of August 31, 2008

RBC Balanced Fund	one-year -0.7%; three-year 5.5%; five-year 8.3%; ten-year 6.4%
RBC Select Conservative Portfolio	one-year -0.1%; three-year 4.0%; five-year 6.1%; ten-year 5.6%
RBC Select Balanced Portfolio	one-year -2.7%; three-year 4.3%; five-year 6.8%; ten-year 5.7%
RBC Select Growth Portfolio	one-year -4.7%; three-year 4.8%; five-year 7.5%; ten-year 5.8%
RBC Select Aggressive Growth Portfolio	one-year -7.1%; since inception (January 2007) -4.0%

Please consult your 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. The indicated rates of return are the historical annual compounded total returns for the periods ended August 31, 2008, including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. RBC Funds are offered by RBC Asset Management Inc. and distributed through authorized dealers.

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(09/2008)