



Special Market Commentary

Money Market Funds

Yesterday, the net asset value of a New York-based money market fund fell below \$1.00, dropping to \$0.97. This event has been referred to in the press as “breaking the buck”. Money market funds are considered one of the safest investments available to investors, and this news may have resulted in questions and concerns from your clients.

What happened?

The New York-based fund had exposure to Lehman Brothers commercial paper and medium term notes. Following Lehman’s filing for Chapter 11 bankruptcy on Monday, September 15th, 2008 these holdings were revalued to \$0.00, writing off more than 2% of the portfolio.

Are my RBC Money Market Funds safe?

The RBC Money Market Funds have no exposure to Lehman Brothers, AIG, Merrill Lynch or other troubled US paper. It is also important to note that the RBC U.S. Money Market Funds do not invest in foreign securities. They invest in securities issued by Canadian governments or corporations that are denominated in \$U.S. dollars.

All RBC Money Market Funds invest only in high-quality securities with short term maturities of less than 1 year. All securities must be rated R-1 or higher by Dominion Bond Rating Service (DBRS) or equivalent ratings used by other rating agencies such as Moody’s or S&P.

What about Asset Backed Commercial Paper held in the funds?

All of the asset backed commercial paper (ABCP) holdings in the funds are backed by Canadian bank-sponsored conduits. There has not been any exposure to non-bank sponsored commercial paper, the type of ABCP that continues to make headlines.

In addition to a minimum rating of R-1 from DBRS, all ABCP holdings must be rated by at least 2 rating agencies to be considered for inclusion in the funds. These holdings must also have global liquidity backstops and a high degree of disclosure regarding underlying assets

ABCP holdings are backed by auto leases, credit card receivables, and Canadian mortgages. None of the ABCP we hold is backed by US mortgages or derivatives linked to US mortgages

Investors should remain confident holding the RBC Money Market Funds. If you would like further information on the RBC Funds please talk to your advisor.



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 or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the 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 the fund will be returned to you. Past performance may not be repeated. RBC Funds are offered by RBC Asset Management Inc. and distributed through authorized dealers.