

Asset Class Volatility Risk and Estimated Expected Return Rate Assumptions

| ASSET ALLOCATION MODEL | RETURN | RISK | YIELD | DIVIDEND | TURNOVER |
|-----------------------------------|--------|--------|-------|----------|----------|
| Cash | 2.00% | 2.00% | 2.00% | 0.00% | 100.00% |
| CDs | 2.50% | 3.00% | 2.50% | 0.00% | 100.00% |
| Fixed Annuities | 2.50% | 3.50% | 0.00% | 0.00% | 5.00% |
| Intermediate-Term Fixed Income | 4.75% | 6.00% | 4.75% | 0.00% | 60.00% |
| Long-Term Fixed Income | 5.25% | 8.00% | 5.25% | 0.00% | 40.00% |
| Intermediate-Term Tax Exempt | 3.25% | 4.00% | 3.25% | 0.00% | 60.00% |
| Long-Term Municipal | 3.75% | 8.00% | 3.75% | 0.00% | 40.00% |
| Corporate Fixed Income | 5.50% | 8.50% | 5.50% | 0.00% | 40.00% |
| Mortgage Backed Fixed Income | 5.00% | 7.50% | 5.00% | 0.00% | 40.00% |
| High Yield Fixed Income | 8.25% | 16.00% | 8.25% | 0.00% | 40.00% |
| Large Value Equities | 8.50% | 13.25% | 0.00% | 2.50% | 40.00% |
| Large Growth Equities | 9.60% | 16.00% | 0.00% | 1.75% | 40.00% |
| Small Value Equities | 10.00% | 18.75% | 0.00% | 2.25% | 40.00% |
| Small Growth Equities | 11.10% | 22.00% | 0.00% | 1.50% | 40.00% |
| Mid Cap Equities | 9.75% | 18.00% | 0.00% | 2.00% | 40.00% |
| Balanced Funds | 6.25% | 11.00% | 2.00% | 0.50% | 60.00% |
| Real Estate | 6.50% | 14.00% | 5.50% | 0.00% | 10.00% |
| Futures/Commodities | 7.00% | 30.00% | 0.00% | 0.00% | 100.00% |
| Venture Capital/Ltd.Partnerships. | 11.50% | 35.25% | 0.00% | 0.00% | 10.00% |
| International Equities | 10.00% | 22.25% | 0.00% | 1.75% | 40.00% |
| International Fixed Income | 6.00% | 13.25% | 6.00% | 0.00% | 40.00% |
| Emerging Equities | 10.50% | 40.25% | 0.00% | 0.75% | 40.00% |

These Capital Market assumptions are used in conjunction with Custom Portfolio Planning and are subject to change. While historical returns have been used as part of the input to generate these assumptions, past performance may not reflect and does not guarantee future performance. Estimated expected return rates should not be construed as projecting actual returns of your specific investments.

This information is not intended to be used as the primary basis of investment decisions. Because of individual client requirements, it should not be construed as advice designed to meet the particular investment needs of any investor.

The expected return rates are forward looking projections based on current market conditions. The following components are considered when determining expected return rates: forward looking assumptions, historical returns, dividend yield, rate of corporate earning growth, and changes in the price/earnings ratio, projected inflation, asset class risk premiums and on more subjective considerations that involve economic forecasting.

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ASSET CLASS DEFINITIONS

Cash

Cash & Money Market — Investments of high liquidity and safety with a known market value and a very short-term maturity. Examples are Treasury bills and money market funds.

CD — Interest-bearing debt instrument issued by banks with maturities of several weeks to several years.

Fixed Annuity — Investment contract sold by an insurance company that guarantees fixed payments, either for life or for a specified period, to the annuitant. The insurer takes both the investment and the mortality risk.

Fixed Income

Intermediate-Term Fixed Income — Taxable bonds, rated BBB or better with maturities of 1 to 10 years.

Long-Term Fixed Income — Taxable bonds, rated BBB or better with maturities of over 10 years.

Intermediate-Term Municipal — Debt obligation of a state or local government entity. The funds may support general government needs or special projects. Exempt from federal income taxes, and from most state and local taxes. Tax-free bonds with maturities of 1 to 10 years.

Long-Term Municipal — Debt obligation of a state or local government entity. The funds may support general government needs or special projects.

Exempt from federal income taxes, and from most state and local taxes. Tax-free bonds with maturities of over 10 years.

Corporate Fixed Income — Debt instruments issued by private corporations, as distinct from ones issued by a government agency or municipality. They are taxable, with a par value of \$1,000 at term maturity, and are market-traded.

Mortgage-Backed Fixed Income — Securities backed by mortgages issued by FHLMC and FNMA or guaranteed by GNMA. Investors receive payments out of the interest and principal on the underlying mortgages.

High-Yield Fixed Income — A bond that has a rating of BB or lower and pays a higher yield to compensate for the greater credit risk.

Equities

Large-Cap Value Equities — Equity securities of large capitalization companies which have 'value' equity characteristics, including low forecasted price-earnings ratio, low price-book ratio and high dividend yield.

Large-Cap Growth Equities — Equity securities of large capitalization companies which have 'growth' equity characteristics, including high forecasted sales growth, high return on equity and low dividend payout.

Small-Cap Value Equities — Equity securities of small capitalization companies which have 'value' equity characteristics, including low forecasted



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price-earnings ratio, low price-book ratio and high dividend yield.

Small-Cap Growth Equities — Equity securities of small capitalization companies which have ‘growth’ equity characteristics, including high forecasted sales growth, high return on equity and low dividend payout.

Mid-Cap Equities — Equity securities of medium-sized capitalization companies. These equities are chosen on the basis of median market size, good liquidity and broad industry group representation.

Balanced Funds — A fund that buys common stocks, preferred stocks and bonds in an effort to obtain the highest return, consistent with a low to moderate risk strategy that typically offers a higher yield than a pure stock fund.

Other

Real Estate Investment Trust (REIT) — A company that manages a portfolio of real estate.

Futures/Commodities — Futures are an agreement to buy or sell a specific amount of a commodity or financial instrument at a given price on a future date. Commodities are bulk goods or instruments traded on an exchange.

Venture Capital/Limited Partnerships — Investment vehicles organized to raise capital for start-up companies or those in the early stages of developing product or services.

International

International Equities — Equity securities invested in developed countries throughout the world. This requires an investor to be alert to trends in foreign currencies as well as movements in foreign markets.

International Fixed Income — Government and corporate bonds invested in developed countries throughout the world. Requires an investor to be alert to trends in foreign currencies as well as movements in foreign markets.

Emerging Equities — Equity securities invested in developing (emerging) countries throughout the world. Requires an investor to be alert to illiquid markets and movements in foreign currencies.

Key Terms

Asset Allocation — The process of determining what proportions of your portfolio holdings are to be invested in the various asset classes.

Asset Class — A standard term that broadly defines a category of potential investments.

Asset Mix — The percentage weightings (or mix) of different asset classes to be held in the portfolio. There may be separate asset mixes for the taxable and tax-deferred holdings in a portfolio.



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The composite asset mix represents the total combination of taxable and tax-deferred holdings.

Current Dollars — A forecast of the asset value stated in terms of the actual dollars held, not in terms of purchasing power.

Inflation Dollars — A forecast of the asset value measured in terms of purchasing power. Because of inflation, investment dollars will probably not be able to buy as much in the future as they can today.

Total Return — The combined return in current income and capital appreciation from investment in an asset class.

Turnover — Estimated average annual portion of the holdings in the asset class that are expected to be bought and sold each year. It is used to calculate capital growth and capital gains taxes in financial forecasts.

Risk — The unpredictability of investment returns.

Yield — The current cash income received from investment in an asset class. Bonds provide yield in the form of interest payments and stock through dividends.

Non-Qualified Assets — Assets that are currently subject to federal, state and local taxes.

Qualified Assets — Asset that will be allowed to accumulate tax-free investment earning until withdrawn at retirement. These assets are normally invested in a 401(k), 403(b), SEP, Keogh or IRA.

Assumptions are basic estimates of future average long-run performances for each major asset class.

Any analysis is based on assumptions that can change. You and your Financial Consultant should periodically review your financial situation to take into account changes in your objectives and your expectations of general economic conditions.

International investing involves risks not typically associated with U.S. investing, including currency fluctuation, foreign taxation, political instability and different accounting standards.



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