

RBC Alternatives Portfolio

Professionally Managed Portfolio

INTRODUCTION

RBC Alternatives Portfolio offers a comprehensive investment solution for investors seeking exposure to alternative strategies. The portfolio is invested in a diversified group of exchange-traded vehicles such as mutual funds that have been carefully selected with the goal of providing low correlation to traditional stock and bond asset classes. The RBC Alternatives Portfolio offers a convenient way to gain access to alternative strategies without the same challenges associated with private alternative investments, such as investor qualifications, liquidity restrictions, transparency, and late tax reporting.

THE IMPORTANCE OF ASSET ALLOCATION AND DIVERSIFICATION

A key to managing risk is proper portfolio diversification. While neither diversification nor asset allocation can assure profit or protect against loss in declining markets, determining the right mix of asset classes is one of the first and most important decisions to make regarding the long-term management of your money.

Historically, asset class returns have responded to varying economic and market conditions in different ways. Similarly, the investment style of investment managers has historically played an important role in the way they have responded to various market environments. These distinct investment styles and asset classes have different return and risk characteristics.

Diversifying your investment across multiple asset classes and investment managers can help moderate portfolio volatility without sacrificing the potential targeted return of your portfolio. The goal of the RBC Alternatives Portfolio is to enhance the overall

risk and return characteristics of a portfolio using alternative strategies that have historically exhibited low correlations with traditional asset classes like stocks and bonds.

MODEL PORTFOLIO CONSTRUCTION

The RBC Alternatives Portfolio is constructed by our Advisory Research team of analysts. The team uses a number of quantitative and qualitative tools to determine the target allocations, including return and risk optimization techniques, peer analysis, and other proprietary research efforts. Advisory Research populates each target allocation with carefully selected mutual funds (or other exchange traded vehicles) that employ alternative or non-traditional investment strategies.

COMPREHENSIVE EVALUATION AND MANAGER SELECTION PROCESS

Selecting investment strategies and managers is an important investment decision. Our analysts employ a comprehensive research and due diligence process that provides you with in-depth, ongoing, and objective guidance. The combination of detailed quantitative and thorough qualitative analyses gives us the means to identify attractive long-term investment options organized by investment strategy. Our analysts employ a well-defined evaluation process that focuses on four broad areas of investigation:

- Firm and Product
- Investment Approach
- Investment Professionals
- Performance

Initial and on-going due diligence is routinely performed via on-site visits, conference calls, and in-house meetings. These interactions produce important qualitative information that is an integral



RBC Wealth Management®

RBC Alternatives Portfolio, continued

part of the evaluation process. Each category is analyzed to draw meaningful conclusions about the overall quality of the investment managers and strategies reviewed.

Identifying attractive investment options using this approach is really only the beginning of the overall investment process. We believe it is as important to utilize a disciplined and thoughtful approach to constructing your overall portfolio. This process begins with the universe of primarily mutual funds that are highly rated by our analysts.

Choosing the right mix of options within each asset class, as well as across asset classes and investment styles requires rigor and sophisticated analytical tools. We consider each product's investment style consistency and correlations to our target benchmarks, as well as to one another. Our selection process includes return and risk optimization techniques, as well as consideration of the individual strategy and overall investment characteristics. We also consider other basic fundamental factors, such as the number of portfolio holdings and related turnover, to make informed decisions about the right mix of investments to help you achieve your financial objectives.

CONTINUOUS EVALUATION PROCESS

Every aspect of our due diligence requires ongoing investigation and evaluation to confirm the factors that contributed to the past successes of each manager are still meaningfully intact. We may choose to terminate a manager if our original thesis for investment is materially or permanently impaired. This is most commonly the result of fundamental developments that are determined to be detrimental to the longer-term success of the manager or strategy.

PORTFOLIO REBALANCING

Regardless of your financial objectives and tolerance for risk, a major benefit of periodic rebalancing is a potential reduction in return volatility. Your portfolio will be monitored to ensure that it maintains the desired exposure to each of the targeted allocations. Portfolios may be rebalanced for several reasons, including allocations that drift too far from their targeted exposure and/or if market conditions justify adjustments to the allocations.

Please consult with your own Financial Advisor when making investment decisions. The above information is not warranted to be accurate, complete or timely. Past performance is no guarantee of future results.

Investing in alternative investments may be speculative and not suitable for all clients and is intended for investors who are willing and able to bear the unique economic risks of the investment. Investors should consider whether such investments are suitable in light of their individual financial situation.

Investors should consider the investment objectives, risks, and charges and expenses of a fund carefully before investing. Prospectuses containing this and other information about the fund are available by contacting your Financial Advisor. Please read the prospectus carefully before investing to make sure that the fund is appropriate for your goals and risk tolerance. Historical fund performance does not guarantee the same results in the future. Principal value, share prices and investment returns fluctuate with market conditions. Your investment may be worth more or less than your original cost when you redeem your shares.

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