



RBC Insurance®

**MAXIM™, MENTOR®, MAXIVU AND MAXINVEST  
SEGREGATED FUNDS**

**SUMMARY FACT STATEMENTS  
and  
FINANCIAL STATEMENTS  
As of December 31, 2009**

**RBC Life Insurance Company  
6880 Financial Drive, West Tower  
Mississauga, Ontario  
L5N 7Y5**

## STATEMENTS AND SCHEDULES

The following statements and schedules reflect past performance of the Funds and should not be construed as indicators of future performance. The Fund values are shown net of any charges. The only charges made to the Funds were management fees, custodian fees, audit charges, interest and bank charges.

**Note:**

- **All returns assume all income/gains are retained and reflected in higher unit values.**
- **Returns do not take into account sales, redemptions, distribution or other optional charges or income taxes payable that would have reduced returns.**

**Subject to any applicable death and maturity guarantee, any part of the premium or other amount that is allocated to a segregated fund is invested at the risk of the contract holder and may increase or decrease in value according to fluctuations in the market value of the assets in the segregated fund.**

Semi-annual unaudited statements effective as of June 30th will be available to Policyholders upon request.

RBC Asset Management Inc. is the professional investment manager for the Maxim, Mentor, Maxinvest and MaxiVu segregated funds. Financial statements and annual reports for the RBC® Funds are available upon request.

A fund's portfolio turnover rate indicates how actively the fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. If the segregated fund is a fund-of-funds, the portfolio turnover rate shall be provided for the underlying fund(s).

# RBC LIFE INSURANCE COMPANY FUNDS

## Summary Fact Statement

December 31, 2009

---

### EQUITY GROWTH FUND

#### INVESTMENT OBJECTIVE

The principal investment objective of the Equity Growth Fund will be long-term accumulation of capital through appreciation and reinvestment of net income.

#### INVESTMENT POLICY

The Equity Growth Fund is invested in units of the RBC Canadian Equity Fund managed by RBC Asset Management Inc ®.

#### Top 25 holdings of the underlying fund (December 31, 2009)

Top 25 Holdings	% Assets	Top 25 Holdings	% Assets
Royal Bank of Canada	6.3	Canadian Imperial Bank of Commerce	2
Suncor Energy, Inc.	4.8	TransCanada Corporation	2
Toronto-Dominion Bank	4.4	EnCana Corporation	1.9
Canadian Natural Resources, Ltd.	3.5	Teck Resources Ltd B	1.8
Bank of Nova Scotia	3.4	Talisman Energy	1.8
Cash & Cash Equivalents	3.4	Power Corporation Of Canada Sub Vtg	1.7
Barrick Gold Corporation	3.3	Cenovus Energy Inc	1.7
Research in Motion, Ltd.	3.2	Enbridge, Inc.	1.7
Manulife Financial Corporation	3	Rogers Communications, Inc. B	1.5
Potash Corporation of Saskatchewan, Inc.	2.9	Sun Life Financial, Inc.	1.5
Goldcorp, Inc.	2.6	Nexen, Inc.	1.4
Bank of Montreal	2.4	Canadian Oil Sands Trust	1.3
Canadian National Railway Company	2.2	<b>Total % of Top 25 Holdings</b>	<b>65.6</b>

# RBC LIFE INSURANCE COMPANY FUNDS

## Summary Fact Statement

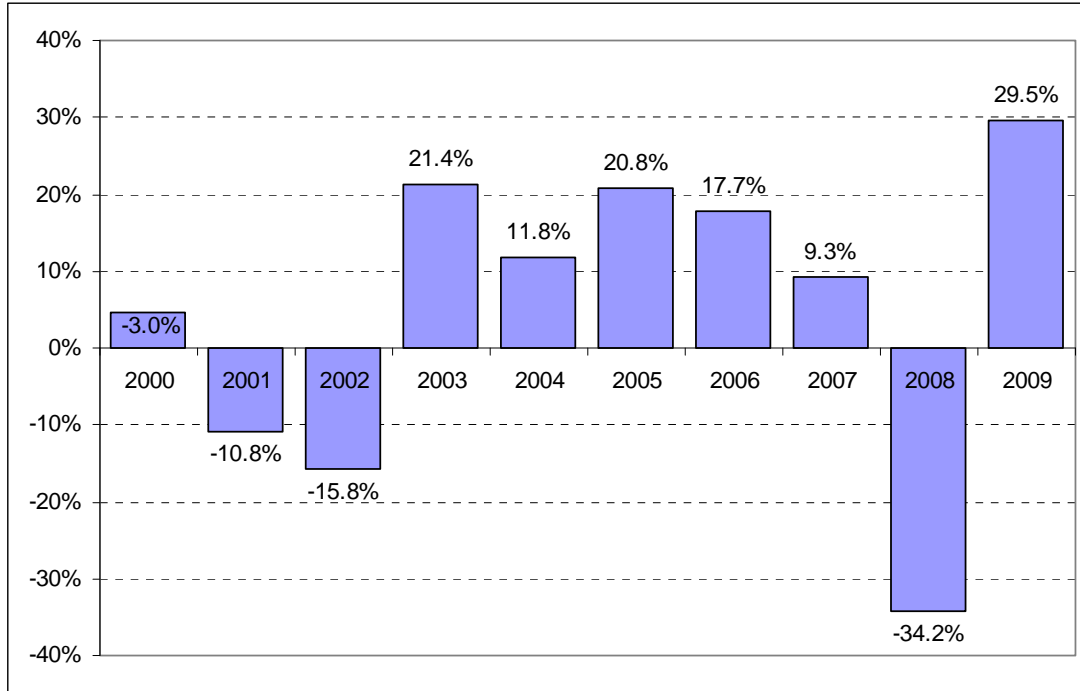
December 31, 2009

---

### PAST PERFORMANCE INFORMATION

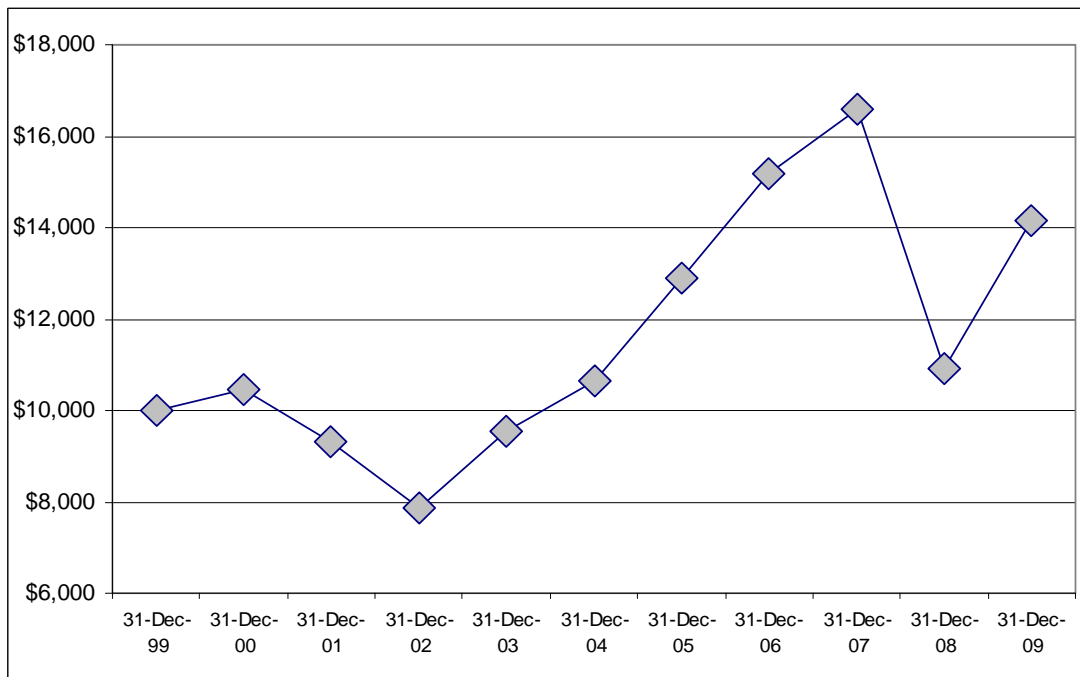
#### Year-by-year returns of the Fund

The following chart shows the year-by-year annual performance Fund. The chart shows, in percentage terms, how much an investment made on January 1 in each year would have grown or declined by December 31 in that year.



#### Overall past performance of the Fund

The following line graph shows the growth of a hypothetical \$10,000 investment in the Fund.



### Compound annual returns of the Fund

The following table shows the annual compound total return of the Fund as of December 31, 2009.

	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
Equity Growth Fund	29.50%	-2.30%	5.80%	3.50%

### ADDITIONAL INFORMATION

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Management Expense Ratio (MER)	2.42%	2.42%	2.58%	2.59%	2.44%
Portfolio Turnover Rate of the Underlying Fund	100%	21%	41%	68%	83%

**THE BOND FUND  
SUMMARY FACT STATEMENT  
DECEMBER 31, 2009**

**INVESTMENT OBJECTIVE**

The investment objective of the Bond Fund is to achieve high current income and to preserve capital.

**INVESTMENT POLICY**

The Bond Fund is invested in units of the RBC Bond Fund managed by RBC Asset Management Inc.

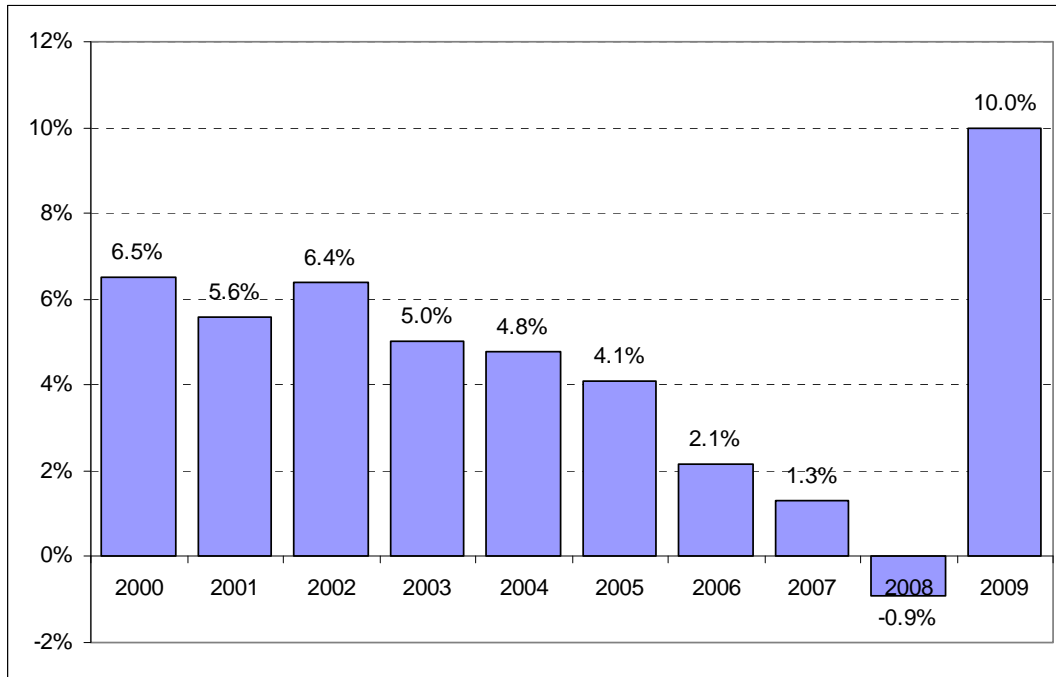
**Top 25 holdings of the underlying fund (December 31, 2009)**

<b>Top 25 Holdings</b>	<b>% Assets</b>	<b>Top 25 Holdings</b>	<b>% Assets</b>
Canada Govt 3.75% 01-06-201V	2.9	Canada Govt 5.75% 01-06-203P	1.4
Cash & Cash Equivalents	2.5	Quebec Prov 5% 01-12-2038	1.1
Bank of Nova Scotia 5.04% 08-04-201P	2.4	Ontario Prov Cda 4.3%	1
Ontario Prov 4.7% 02-06-2039	2.2	Canada Hsg Tr No 1 3.6% 15-06-2013	0.9
Canada Govt 5% 01-06-2037	2.1	Ontario Prov Cda 8.5% 02-12-2025	0.9
Canada Govt 3.5% 01-06-2020	1.9	Toronto Dominion Bk 4.78% 14-12-2105	0.9
Canada Govt FRN 01-06-2041	1.9	Quebec Prov 4.5% 01-12-2017	0.9
Ontario Prov Cda 3.25% 08-09-2014	1.9	Canada Govt 8% 01-06-2027	0.9
Quebec Prov 4.5% 01-12-201V	1.9	Bank of Nova Scotia FRN 27-03-2018	0.8
Canada Hsg Tr No 1 4.1% 15-12-201:	1.7	United States 10-Year Note Future (ST)	-0.8
Royal Bank Of Canada 5.06% 17-07-2013	1.7	BC (Prov Of) 5.7% 18-06-2029	0.7
Toronto Dominion Bk 4.854% 13-02-201P	1.6	Toronto Dominion Bank 4.97% 30-10-2015	0.7
CIBC 3.300% 19-11-2016	1.5	<b>Total % of Top 25 Holdings</b>	<b>35.6</b>

## PAST PERFORMANCE INFORMATION

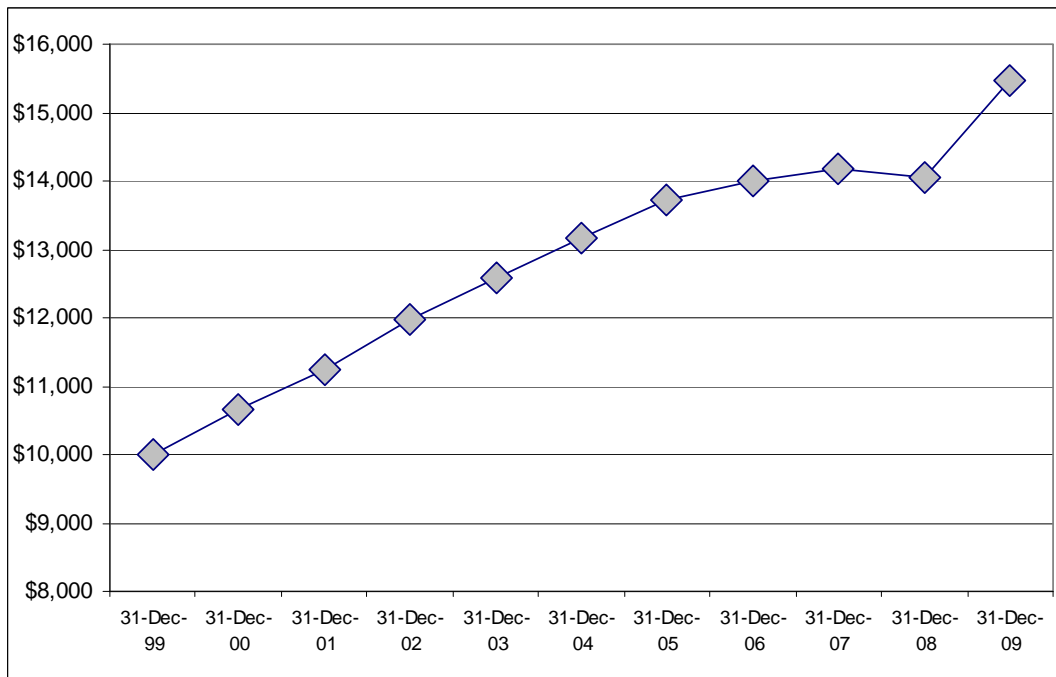
### Year-by-year returns of the Fund

The following chart shows the year-by-year annual performance Fund. The chart shows, in percentage terms, how much an investment made on January 1 in each year would have grown or declined by December 31 in that year.



### Overall past performance of the Fund

The following line graph shows the growth of a hypothetical \$10,000 investment in the Fund.



### **Compound annual returns of the Fund**

The following table shows the annual compound total return of the Fund as of December 31, 2009.

	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
Bond Fund	10.00%	3.40%	3.30%	4.50%

### **ADDITIONAL INFORMATION**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Management Expense Ratio (MER)	2.23%	2.18%	2.24%	2.02%	2.09%
Portfolio Turnover Rate of the Underlying Fund	100%	100%	55%	50%	60%



**THE BALANCED FUND  
SUMMARY FACT STATEMENT  
DECEMBER 31, 2009**

**INVESTMENT OBJECTIVE**

The investment objective of the Balanced Fund is to achieve the highest long-term rate of return possible that is consistent with a prudent investment philosophy and the reservation of capital in real terms.

**INVESTMENT POLICY**

The Balanced Fund is invested in units of the RBC Balanced Fund managed by RBC Asset Management Inc.

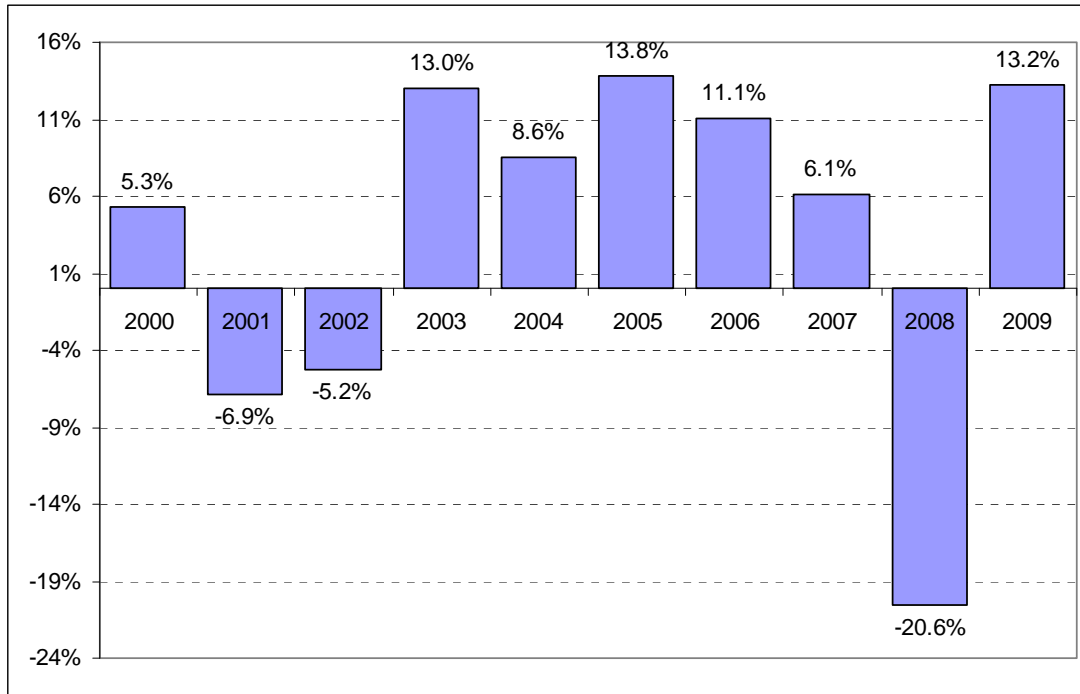
**Top 25 holdings of the underlying fund (December 31, 2009)**

<b>Top 25 Holding</b>	<b>% Assets</b>	<b>Top 25 Holding</b>	<b>% Assets</b>
Royal Bank of Canada	2.5	Quebec Prov Medium Trm Nt 4.5% 01-12-2017	1.1
Suncor Energy, Inc.	1.9	Canada Govt 5% 01-06-2037	1
Toronto-Dominion Bank	1.8	Canada Govt 3.75% 01-06-2019	1
Barrick Gold Corporation	1.5	Bank of Montreal	1
Canadian Natural Resources, Ltd.	1.4	Canadian National Railway Company	0.9
Bank of Nova Scotia	1.4	Quebec Prov Cda 6% 01-10-2012	0.9
Ontario Prov Cda 4.75% 02-06-2013	1.4	Canadian Imperial Bank of Commerce	0.8
Research in Motion, Ltd.	1.3	Manitoba Prov Mtn Cds- 6.5% 22-09-2017	0.8
Quebec Prov Cda 5.25% 01-10-201P	1.3	TransCanada Corporation	0.8
Manulife Financial Corporation	1.2	Cash & Cash Equivalents	0.8
Ontario Prov Cda 9.5% 13-07-2024	1.2	Power Corporation Of Canada Sub Vtg	0.7
Potash Corporation of Saskatchewan, Inc.	1.2	EnCana Corporation	0.7
Goldcorp, Inc.	1.2	<b>Total % of Top 25 Holdings</b>	<b>29.9</b>

## PAST PERFORMANCE INFORMATION

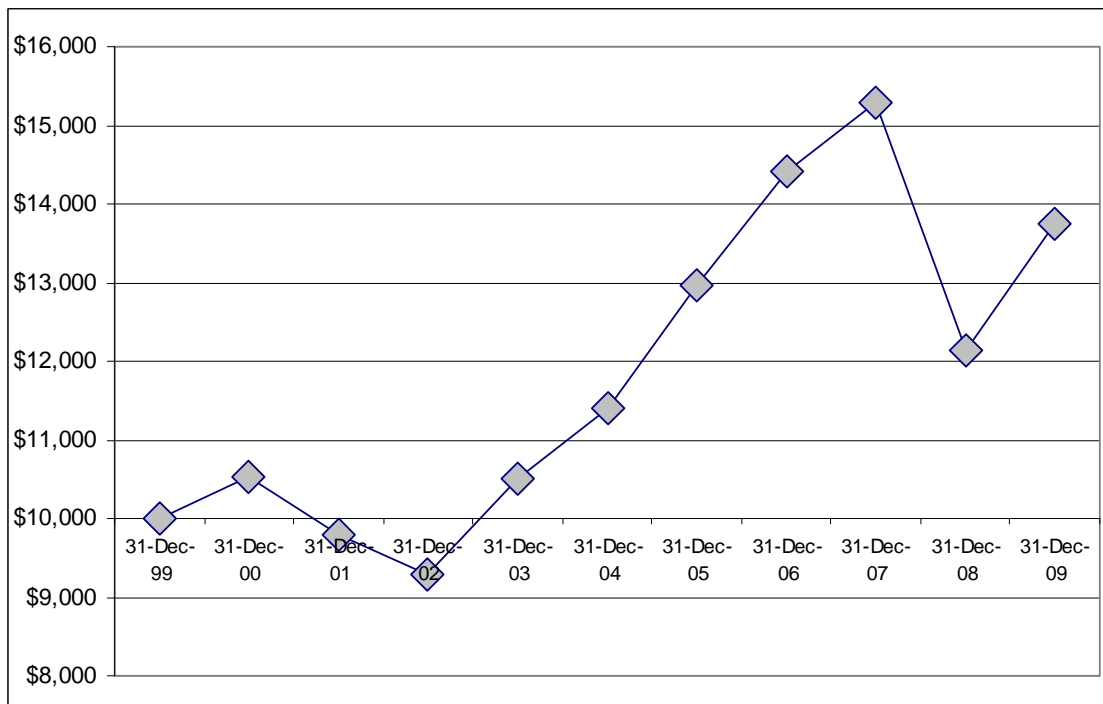
### Year-by-year returns of the Fund

The following chart shows the year-by-year annual performance Fund. The chart shows, in percentage terms, how much an investment made on January 1 in each year would have grown or declined by December 31 in that year.



### Overall past performance of the Fund

The following line graph shows the growth of a hypothetical \$10,000 investment in the Fund.



### Compound annual returns of the Fund

The following table shows the annual compound total return of the Fund as of December 31, 2009.

	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
Balanced Fund	13.20%	-1.60%	3.80%	3.20%

### ADDITIONAL INFORMATION

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Management Expense Ratio (MER)	2.56%	2.51%	2.59%	2.46%	2.43%
Portfolio Turnover Rate of the underlying fund*	75%	100%	61%	69%	83%

**RBC LIFE INSURANCE COMPANY FUNDS**

**Table of Contents**

**December 31, 2009**

---

	<u>Page</u>
Auditors' Report	13
Statements of Operations, Net Assets, Changes in Net Assets	
Equity Growth Fund	14
Bond Fund	15
Balanced Fund	16
Notes to the Financial Statements	17 - 25

## Auditors' Report

To the Unit Holders of

RBC Life Equity Growth Fund ("Equity Growth")  
RBC Life Bond Fund ("Bond")  
RBC Life Balanced Fund ("Balanced")  
(collectively referred to as "RBC Life Insurance Company Funds" or "the Funds")

We have audited the statements of net assets of each of the RBC Life Insurance Company Funds as at December 31, 2009 and the statements of operations and of changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of each of the Funds as at December 31, 2009 and the results of their operations and changes in their net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants  
February 19, 2010

**RBC LIFE INSURANCE COMPANY FUNDS**  
**Financial Statements**  
**December 31, 2009**

**Equity Growth Fund**

<b>Statement of Operations</b>	<b>Year ended December 31, 2009</b>	<b>Year ended December 31, 2008</b>
<b>Income</b>		
Distribution from underlying funds	\$ 1,731,737	\$ 12
Realized losses on sale of investments	(972,585)	(373,531)
Increase (decrease) in unrealized appreciation of investments	9,290,233	(15,177,804)
	<b>10,049,385</b>	<b>(15,551,323)</b>
<b>Expenses</b>		
Management fees	858,691	1,058,033
Bank charges and interest	15,816	4,172
Audit	4,191	4,191
	<b>878,698</b>	<b>1,066,396</b>
<b>Net Income (Loss)</b>	<b>\$ 9,170,687</b>	<b>\$ (16,617,719)</b>
Net income (loss) per unit	\$ 7.21	\$ (12.41)

<b>Statement of Net Assets</b>	<b>As at December 31, 2009</b>	<b>As at December 31, 2008</b>
<b>Assets</b>		
Investments in underlying funds at market value	\$ 39,210,485	\$ 31,864,605
	<b>39,210,485</b>	<b>31,864,605</b>
<b>Liabilities</b>		
Bank indebtedness	117	272
Due to RBC Life Insurance Company	67,529	41,608
	<b>67,646</b>	<b>41,880</b>
<b>Unitholders' equity</b>	<b>\$ 39,142,839</b>	<b>\$ 31,822,725</b>
Net asset value per unit	\$ 30.77	\$ 23.76

<b>Statement of Changes in Net Assets</b>	<b>Year ended December 31, 2009</b>	<b>Year Ended December 31, 2008</b>
Net assets, beginning of the year	\$ 31,822,725	\$ 50,418,529
Premium deposits	2,809,532	3,159,645
Net income (loss)	9,170,687	(16,617,719)
	<b>43,802,944</b>	<b>36,960,455</b>
Less		
Withdrawals	4,660,105	5,137,730
	<b>4,660,105</b>	<b>5,137,730</b>
<b>Net Assets, end of the year</b>	<b>\$ 39,142,839</b>	<b>\$ 31,822,725</b>
Number of units outstanding	<b>1,272,037</b>	<b>1,339,113</b>

See accompanying notes to the financial statements.

**RBC LIFE INSURANCE COMPANY FUNDS**  
**Financial Statements**  
**December 31, 2009**

**Bond Fund**

**Statement of Operations**

	Year ended <u>December 31, 2009</u>	Year ended <u>December 31, 2008</u>
<b>Income</b>		
Distribution from underlying funds	\$ 273,925	\$ 269,137
Realized losses on sale of investments	(3,271)	(7,846)
Increase (decrease) in unrealized appreciation of investments	320,716	(202,527)
	<u>591,370</u>	<u>58,764</u>
<b>Expenses</b>		
Management fees	103,950	101,711
Bank charges and interest	976	1,014
Audit	748	748
	<u>105,674</u>	<u>103,473</u>
<b>Net Income (Loss)</b>	<b>\$ 485,696</b>	<b>\$ (44,709)</b>
Net income (loss) per unit	\$ 2.59	\$ (0.22)

**Statement of Net Assets**

	As at <u>December 31, 2009</u>	As at <u>December 31, 2008</u>
<b>Assets</b>		
Investments in underlying funds at market value	\$ 5,159,181	\$ 5,010,785
	<u>5,159,181</u>	<u>5,010,785</u>
<b>Liabilities</b>		
Bank indebtedness	13	83
Due to RBC Life Insurance Company	6,728	32,965
	<u>6,741</u>	<u>33,048</u>
<b>Unitholders' equity</b>	<b>\$ 5,152,440</b>	<b>\$ 4,977,737</b>
Net asset value per unit	\$ 27.53	\$ 25.03

**Statement of Changes in Net Assets**

	Year ended <u>December 31, 2009</u>	Year ended <u>December 31, 2008</u>
Net assets, beginning of the year	\$ 4,977,737	\$ 5,267,239
Premium deposits	390,409	466,349
Net income (loss)	485,696	(44,709)
	<u>5,853,842</u>	<u>5,688,879</u>
Less		
Withdrawals	701,402	711,142
	<u>701,402</u>	<u>711,142</u>
<b>Net Assets, end of the year</b>	<b>\$ 5,152,440</b>	<b>\$ 4,977,737</b>
Number of units outstanding	<u>187,169</u>	<u>198,871</u>

See accompanying notes to the financial statements.

# RBC LIFE INSURANCE COMPANY FUNDS

## Financial Statements

December 31, 2009

### Balanced Fund

#### Statement of Operations

	Year ended <u>December 31, 2009</u>	Year ended <u>December 31, 2008</u>
<b>Income</b>		
Distribution from underlying funds	\$ -	\$ 5
Realized losses on sale of investments	(226,701)	(129,006)
Increase (decrease) in unrealized appreciation of investments	<u>2,303,325</u>	<u>(3,029,971)</u>
	<b>2,076,624</b>	<b>(3,158,972)</b>
<b>Expenses</b>		
Management fees	338,443	381,356
Bank charges and interest	1,579	1,855
Audit	<u>2,297</u>	<u>2,297</u>
	<b>342,319</b>	<b>385,508</b>
<b>Net Income (Loss)</b>	<b>\$ 1,734,305</b>	<b>\$ (3,544,480)</b>
Net income (loss) per unit	<b>\$ 3.45</b>	<b>\$ (6.68)</b>

#### Statement of Net Assets

	As at <u>December 31, 2009</u>	As at <u>December 31, 2008</u>
<b>Assets</b>		
Investments in underlying funds at market value	<b>\$ 14,601,084</b>	<b>\$ 13,602,545</b>
	<b>14,601,084</b>	<b>13,602,545</b>
<b>Liabilities</b>		
Bank indebtedness	12	140
Due to RBC Life Insurance Company	<u>18,564</u>	<u>14,597</u>
	<b>18,576</b>	<b>14,737</b>
<b>Unitholders' equity</b>	<b>\$ 14,582,508</b>	<b>\$ 13,587,808</b>
Net asset value per unit	<b>\$ 28.98</b>	<b>\$ 25.61</b>

#### Statement of Changes in Net Assets

	Year ended <u>December 31, 2009</u>	Year ended <u>December 31, 2008</u>
Net assets, beginning of the year	\$ 13,587,808	\$ 17,766,638
Premium deposits	1,177,625	1,272,323
Net income (loss)	<u>1,734,305</u>	<u>(3,544,480)</u>
	<b>16,499,738</b>	<b>15,494,481</b>
Less		
Withdrawals	<u>1,917,230</u>	<u>1,906,673</u>
	<b>1,917,230</b>	<b>1,906,673</b>
<b>Net Assets, end of the year</b>	<b>\$ 14,582,508</b>	<b>\$ 13,587,808</b>
Number of units outstanding	<b>503,125</b>	<b>530,518</b>

See accompanying notes to the financial statements.



## 1. THE FUNDS

The Funds are segregated funds, originally established by a predecessor company, Canadian General Life Insurance Company and are no longer marketed by RBC Life Insurance Company.

RBC Life Equity Growth Fund (“Equity Growth”) established December 15, 1989

RBC Life Bond Fund (“Bond”) established May 1, 1991

RBC Life Balanced Fund (“Balanced”) established May 1 1991

The Funds invest in RBC Asset Management Inc. mutual funds.

## 2. ADOPTION OF NEW ACCOUNTING STANDARDS

### Fiscal 2009:

Effective January 1, 2009, the Funds adopted the amendments to CICA Handbook Section 3862, *Financial Instruments – Disclosures* (“Section 3862”). Section 3862 establishes a hierarchal framework which prioritizes and ranks the level of market price observability used in measuring fair value and requires enhanced disclosures about fair value measurements. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace (including the existence and transparency of transactions between market participants). Investments with readily-available actively quoted prices or for which fair value can be measured from actively-quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. These disclosures are provided in note 6.

### Fiscal 2008:

On January 1, 2008, the Funds adopted the CICA Handbook Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. These standards provide comprehensive disclosure and presentation requirements for financial instruments. Section 3862 replaces the disclosure portion of Section 3861, *Financial Instruments – Disclosure and Presentation*, and introduces new requirements for specific qualitative and quantitative disclosure about risks. This includes the requirements to quantify exposures for certain risks and provide sensitivity analysis for some risks. The main objective of this new standard is to enable investors to evaluate the significance of financial instruments, the nature and extent of risks involved, and how these risks are managed. Section 3863 carries forward the presentation requirements from Section 3861, unchanged. The adoption of these standards did not have an impact to net assets, increase (decrease) in net assets from operations or increase (decrease) in net assets from operations per unit of the Funds.

### **Future changes in accounting standards**

#### ***International financial reporting standards (“IFRS”)***

On April 7, 2008, the Canadian Accounting Standards Board (“AcSB”) released an Omnibus exposure draft entitled “Adopting IFRS in Canada”, which covers among other things, the incorporation of IFRS into the CICA Handbook. The exposure draft calls for Canadian publicly accountable entities to adopt IFRS for fiscal years beginning on or after January 1, 2011 with disclosure requirements beginning in 2008. As a result, IFRS will be adopted by the Funds on January 1, 2011 and its first set of IFRS compliant financial statements will be for the year ending December 31, 2011.

## 2. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

The Funds are currently going through the assessment and evaluation phase of its IFRS implementation project to determine the effect on its processes, systems and financial statements upon adoption.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies:

**a) Investments**

The investments in underlying mutual funds are valued on each business date at their published closing net asset value. Investment transactions are accounted for on the trade date. Realized gains and losses on sales of investments and unrealized appreciation or depreciation in value of investments are calculated on an average cost basis.

**b) Income recognition**

Distributions from investments are recorded when declared by the underlying mutual fund. Interest income is accrued on a daily basis.

**c) Net asset value per unit**

Net asset value per unit is computed by dividing the net assets attributable to a series of units on a business day by the total number of units of the series outstanding on that day.

**d) Net income per unit**

Net income per unit in the Statements of Operations represents the increase (decrease) in net assets from operations attributable to the series for the period, divided by the number of units outstanding at the end of the period.

**e) Use of estimates**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles, and include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**f) Expenses of funds**

Each Fund is responsible for the payment of the fees and expenses related to the operation of that Fund. Such fees and expenses include custodian fees, management fees, insurance fees, legal fees, audit fees, operations and administration fees, bank charges, interest, brokerage on securities transactions and all indirect taxes.

**g) Income taxes**

Each Fund is deemed to be an inter-vivos trust under the provisions of the Income Tax Act (Canada) and is deemed to have allocated its income to the contract holders. Each Fund's net capital gains (losses) are deemed to be those of the contract holders. Accordingly, each Fund is not subject to income tax on its net income, including net realized capital gains.

#### **4. FINANCIAL INSTRUMENTS RISK**

The Funds may be exposed to a variety of financial risks. Each of the Fund's exposures to financial risks is concentrated in its investment holdings. The Schedule of Invested Assets (note 9) presents the details of units held by each Fund as at December 31, 2009 and groups the underlying funds by their nature. The Funds do not manage their underlying funds and therefore the quantitative and qualitative risk disclosures have not been disclosed.

Each of the Fund's risk management practice includes the monitoring of compliance to investment guidelines. The fund manager manages the potential effects of these financial risks on the Funds' performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Funds' positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

##### **Credit risk**

Credit risk is the possibility that a borrower, or the counterparty to a derivatives contract, repurchase agreement or reverse repurchase agreement, is unable or unwilling to repay the loan or obligation, either on time or at all. Companies and governments that borrow money, and the debt securities they issue, are rated by specialized rating agencies. Debt securities issued by companies or governments in emerging markets often have higher credit risk (lower rated debt), while debt securities issued by well-established companies or by governments of developed countries tend to have lower credit risk (higher rated debt). A downgrade in an issuer's credit rating or other adverse news regarding an issuer can reduce a security's market value. Lower rated and unrated debt instruments generally offer a better return than higher grade debt instruments, but have the potential for substantial loss. Funds that invest in companies or markets with higher credit risk tend to be more volatile in the short term. However, they may offer the potential of higher returns over the long term.

Credit risk arises when an underlying mutual fund invests in fixed income securities. Credit risk is considered as part of the investment decision making process. The underlying mutual funds only buy and sell investments through brokers which are considered to be approved counterparties, thus minimizing the risk of default during settlement.

##### **Currency risk**

Most underlying funds are valued in Canadian dollars. However, underlying funds that purchase foreign securities may be required to pay for such securities using a foreign currency and receive a foreign currency when they sell them. As a result, changes in the value of the Canadian dollar compared to foreign currencies will affect the value of any foreign securities. For example, if the Canadian dollar rises relative to a foreign currency (like the U.S. dollar or the euro), the Canadian dollar value of an investment denominated in that foreign currency may decline. This decline may reduce, or even eliminate, any return the Fund has earned on the security. On the other hand, a Fund may also benefit from changes in exchange rates. Currency exposure may increase the volatility of foreign investments relative to Canadian investments. Some underlying funds may hedge (protect against) the risk of changes in foreign currency exchange rates of the underlying assets of the Fund.

As the Funds only invest in Canadian denominated underlying funds, the Funds do not have a direct currency risk exposure.

#### **4. FINANCIAL INSTRUMENTS RISK (continued)**

##### **Interest rate risk**

If a Fund invests primarily in bonds and other fixed-income securities, the biggest influence on the Fund's value will be changes in the general level of interest rates. If interest rates fall, the value of the Fund's Units will tend to rise. If interest rates rise, the value of the Fund's Units will tend to fall. Short-term interest rates can have a different influence on a Fund's value than long-term interest rates. If a Fund invests primarily in bonds and other fixed-income securities with longer-term maturities, the biggest influence on the Fund's value will be changes in the general level of long-term interest rates. If a Fund invests primarily in bonds and other fixed-income securities with shorter-term maturities, the biggest influence on the Fund's value will be changes in the general level of shorter-term interest rates. Investors seeking current income should be aware that the level of interest income from a money market fund will fluctuate as short-term interest rates vary.

Interest rate risk arises when the underlying mutual fund invests in interest bearing financial instruments such as a bond. The underlying mutual fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. In general, as interest rates rise, the price of a fixed rate bond will fall, and vice versa.

##### **Liquidity risk**

Liquidity refers to the speed and ease with which an asset can be sold and converted into cash. Most securities owned by an underlying fund can be sold easily and at a fair price. In highly volatile markets, such as in periods of sudden interest rate changes, certain securities may become less liquid, which means they cannot be sold as quickly or easily. Some securities may be illiquid because of legal restrictions, the nature of the investment, or because of features like guarantees. Another reason for illiquidity is a lack of buyers interested in a particular security or market. Difficulty in selling securities may result in a loss or reduced return for a Fund.

The Funds' assets are comprised of units of underlying mutual funds which can be redeemed upon request from the issuer on a valuation date. A valuation date occurs every day that the principal exchange is open for trading and a value is available for the assets of the relevant fund. The Toronto Stock Exchange currently is the principal exchange used for purposes of determining the valuation dates.

##### **Market risk**

Market risk is the risk that the value of investments will fluctuate as a result of changes in market condition. Several factors can influence market trends, such as economic developments, changes in interest rates, political changes, and catastrophic events. The Funds are exposed to the market risk of the underlying funds.

## **5. FINANCIAL RISK MANAGEMENT**

The Funds use a fund-of-fund structure to invest in underlying mutual funds exclusively managed by RBC Asset Management and its partners. As part of the fund selection process for the Funds, the existing funds line-up are reviewed at least annually to identify any product gaps that result from the changing needs of the market and distribution partners.

The screening criteria may include qualitative as well as quantitative measures of performance and must satisfy internal risk management standards and require approval from the Investment Executive Committee.

Ongoing monitoring throughout the year by the Funds' management includes monitoring any organizational or fund changes announced by fund managers or news items that may affect organizational stability or Funds performance as well as analysis on the Funds' rate of return to verify that it is appropriate compared to the underlying mutual fund or fund's benchmark.

Included in the ongoing due diligence process, managers of the underlying mutual funds are required to verify that the Funds have adhered to the Funds' Investment Policies and that the underlying mutual funds are managed in accordance with the investment objectives and strategies.

## **6. FAIR VALUE**

Investments recorded at fair value on the Funds' Statement of Net Assets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by Section 3862 and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets, are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. Quoted price for these investments are not adjusted even in situations where a large position and a sale could reasonably impact the quoted price.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The Funds seek to achieve its investment objectives through investing substantially all of its investable assets in the underlying mutual funds managed by RBC Asset Management, therefore all of the balances related to any Fund that is categorized as “investments in underlying mutual funds at market value” in the statement of net assets are classified as Level 2.

## 7. UNITHOLDERS' EQUITY

Units of the Funds, which are redeemable at the option of the holder in accordance with the provisions of the related policy contracts, do not have any nominal or par value and the number of units which may be issued is unlimited. Units of the Fund are issued or redeemed on a weekly basis at the net asset value per unit next determined after the purchase order or redemption request, respectively, is received by RBC Life Insurance Company. The following is a summary of issues and redemptions of units.

	<b>2009</b>		<b>2008</b>	
	<b>Units Issued</b>	<b>Proceeds from Issue of units</b>	<b>Units Issued</b>	<b>Proceeds from Issue of units</b>
Equity Growth Fund	<b>111,482</b>	<b>\$ 2,809,532</b>	96,181	\$ 3,159,645
Bond Fund	<b>17,803</b>	<b>\$ 390,409</b>	18,151	\$ 466,349
Balanced Fund	<b>43,965</b>	<b>\$ 1,177,625</b>	42,994	\$ 1,272,323

	<b>2009</b>		<b>2008</b>	
	<b>Units Redeemed</b>	<b>Amounts Paid on Redemption</b>	<b>Units Redeemed</b>	<b>Amounts Paid on Redemption</b>
Equity Growth Fund	<b>178,558</b>	<b>\$ 4,660,105</b>	153,710	\$ 5,137,730
Bond Fund	<b>29,505</b>	<b>\$ 701,402</b>	27,817	\$ 711,142
Balanced Fund	<b>71,358</b>	<b>\$ 1,917,230</b>	63,473	\$ 1,906,673

## 8. SUMMARY OF FINANCIAL INFORMATION

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
NET ASSET VALUE PER UNIT (a)					
Equity Growth	\$ <b>30.77</b>	\$ 23.76	\$ 36.10	\$ 33.02	\$ 28.06
Bond	<b>27.53</b>	25.03	25.26	24.94	24.41
Balanced	<b>28.98</b>	25.61	32.24	30.40	27.38
NET INCOME (LOSS) PER UNIT (b)					
Equity Growth	\$ <b>7.21</b>	\$ (12.41)	\$ 3.30	\$ 5.18	\$ 5.04
Bond	<b>2.59</b>	(0.23)	0.31	0.52	1.00
Balanced	<b>3.45</b>	(6.68)	1.94	3.15	3.50
MANAGEMENT EXPENSE RATIO, other than brokerage fees and commissions (c)					
Equity Growth	<b>2.44%</b>	2.59%	2.58%	2.42%	2.42%
Bond	<b>2.09%</b>	2.02%	2.24%	2.18%	2.23%
Balanced	<b>2.43%</b>	2.46%	2.59%	2.51%	2.56%
MANAGEMENT FEE (d)					
Equity Growth	\$ <b>858,691</b>	\$ 1,058,033	\$ 1,290,567	\$ 1,223,327	\$ 1,158,056
Bond	<b>103,950</b>	101,711	115,993	124,625	132,100
Balanced	<b>338,443</b>	381,356	455,502	455,791	467,137
OTHER EXPENSES (e)					
Equity Growth	\$ <b>20,007</b>	\$ 8,363	\$ 9,117	\$ 9,062	\$ 8,455
Bond	<b>1,724</b>	1,762	1,856	1,776	1,954
Balanced	<b>3,876</b>	4,152	4,643	5,122	5,077

- a) Net asset value per unit is computed by dividing the net asset value of a Fund by the total number of units of the Fund outstanding, as at the end of the period.
- b) Based on the number of units outstanding as at the end of the period.
- c) The management expense ratios for the Funds are based on expenses charged directly to the Fund (other than brokerage commissions and taxes on securities transactions) plus, if applicable, expenses of the underlying funds, calculated on a weighted average basis on the percentage weighting of underlying funds and is expressed as a percentage of the annual average net asset value calculated for the purpose of the issue of units of the Funds.

## 8. SUMMARY OF FINANCIAL INFORMATION (continued)

- d) In consideration for management services and investment advice, RBC Life Insurance Company is entitled to a management fee. The maximum management fee, exclusive of GST, is based on the following annual percentages, applied on a weekly basis to the respective net asset values of the Fund

Equity Growth Fund	Up to 2.275%
Bond Fund	Up to 1.900%
Balanced Fund	Up to 2.275%

- e) Custodian fee, audit fee, interest and bank charges are payable by the Funds.

## 9. SCHEDULE OF INVESTED ASSETS

### a) Details by fund

	<u>Number of Units</u>	<u>Cost</u>	<u>% Fund Owned</u>	<u>Market Value</u>	<u>Market Value per Unit</u>
<b>Equity Growth Fund</b>					
RBC Canadian Equity Fund Series O	1,644,742	\$ 48,024,819	2.29%	\$ 39,210,485	\$ 23.84
<b>Bond Fund</b>					
RBC Bond Fund Series O	829,917	\$ 5,093,846	0.17%	\$ 5,159,181	\$ 6.22
<b>Balanced Fund</b>					
RBC Balanced Fund Series O	1,219,489	\$ 16,169,420	37.18%	\$ 14,601,084	\$ 11.97



## 9. SCHEDULE OF INVESTED ASSETS (continued)

### b) Top holdings of underlying mutual funds (unaudited)

<b>RBC Canadian Equity Fund Series O</b>	% of Assets
Royal Bank of Canada	6.3
Suncor Energy, Inc.	4.8
Toronto-Dominion Bank	4.4
Canadian Natural Resources, Ltd.	3.5
Bank of Nova Scotia	3.4
Cash & Cash Equivalents	3.4
Barrick Gold Corporation	3.3
Research in Motion, Ltd.	3.2
Manulife Financial Corporation	3.0
Potash Corporation of Saskatchewan, Inc.	2.9
Goldcorp, Inc.	2.6
Bank of Montreal	2.4
Canadian National Railway Company	2.2
Canadian Imperial Bank of Commerce	2.0
TransCanada Corporation	2.0
EnCana Corporation	1.9
Teck Resources Ltd B	1.8
Talisman Energy	1.8
Power Corporation Of Canada Sub Vtg	1.7
Cenovus Energy Inc	1.7
Enbridge, Inc.	1.7
Rogers Communications, Inc. B	1.5
Sun Life Financial, Inc.	1.5
Nexen, Inc.	1.4
Canadian Oil Sands Trust	1.3
<b>Total % of top 25 holdings</b>	<b>65.6</b>

<b>RBC Bond Fund Series O</b>	% of Assets
Canada Govt 3.75% 01-06-2019	2.9
Cash & Cash Equivalents	2.5
Bank of Nova Scotia 5.04% 08-04-2013	2.4
Ontario Prov 4.7% 02-06-2037	2.2
Canada Govt 5% 01-06-2037	2.1
Canada Govt 3.5% 01-06-2020	1.9
Canada Govt FRN 01-06-2041	1.9
Ontario Prov Cda 3.25% 08-09-2014	1.9
Quebec Prov 4.5% 01-12-2019	1.9
Canada Hsg Tr No 1 4.1% 15-12-2018	1.7
Royal Bank Of Canada 5.06% 17-07-2013	1.7
Toronto Dominion Bk 4.854% 13-02-2013	1.6
CIBC 3.300% 19-11-2014	1.5
Canada Govt 5.75% 01-06-2033	1.4
Quebec Prov 5% 01-12-2038	1.1
Ontario Prov Cda 4.3%	1.0
Canada Hsg Tr No 1 3.6% 15-06-2013	0.9
Ontario Prov Cda 8.5% 02-12-2025	0.9
Toronto Dominion Bk 4.78% 14-12-2105	0.9
Quebec Prov 4.5% 01-12-2017	0.9
Canada Govt 8% 01-06-2027	0.9
Bank of Nova Scotia FRN 27-03-2018	0.8
United States 10-Year Note Future (ST)	-0.8
BC (Prov Of) 5.7% 18-06-2029	0.7
Toronto Dominion Bank 4.97% 30-10-2015	0.7
<b>Total % of top 25 holdings</b>	<b>35.6</b>

<b>RBC Balanced Fund Series O</b>	% of Assets
Royal Bank of Canada	2.5
Suncor Energy, Inc.	1.9
Toronto-Dominion Bank	1.8
Barrick Gold Corporation	1.5
Canadian Natural Resources, Ltd.	1.4
Bank of Nova Scotia	1.4
Ontario Prov Cda 4.75% 02-06-2013	1.4
Research in Motion, Ltd.	1.3
Quebec Prov Cda 5.25% 01-10-2013	1.3
Manulife Financial Corporation	1.2
Ontario Prov Cda 9.5% 13-07-2022	1.2
Potash Corporation of Saskatchewan, Inc.	1.2
Goldcorp, Inc.	1.2
Quebec Prov Medium Trm Nt 4.5% 01-12-2017	1.1
Canada Govt 5% 01-06-2037	1.0
Canada Govt 3.75% 01-06-2019	1.0
Bank of Montreal	1.0
Canadian National Railway Company	0.9
Quebec Prov Cda 6% 01-10-2012	0.9
Canadian Imperial Bank of Commerce	0.8
Manitoba Prov Mtn Cds- 6.5% 22-09-2017	0.8
TransCanada Corporation	0.8
Cash & Cash Equivalents	0.8
Power Corporation Of Canada Sub Vtg	0.7
EnCana Corporation	0.7
<b>Total % of top 25 holdings</b>	<b>29.9</b>

® Registered trademarks of Royal Bank of Canada. Used under licence.