DIRECT INVESTOR

40474 (06/2012)

Ranked #1 in client service by Dalbar
for the 5th consecutive year[Δ]

Now it's easier than ever to save automatically and put yourself first

One of the best ways to achieve your savings goals is to pay yourself first. That's why we've introduced the new online Pre-Authorized Contribution (PAC) plan set-up — making it even faster and more convenient for you to start saving for your future. If you have an RBC Royal Bank® banking account, you can now set up a PAC online in minutes through the RBC Direct Investing™ online investing site.

When you set up a PAC, money is automatically transferred from your RBC Royal Bank account to one or more RBC Direct Investing accounts at regular intervals. By setting up a PAC, you're making it a habit to pay yourself first. Since your savings are automatic, this will help you to stay on track to reach your savings goals faster.

You can set up a PAC for multiple RBC Direct Investing accounts, including your Registered Retirement Savings Plan (RRSP), Tax-Free Savings Account (TFSA), Registered Education Savings Plan (RESP) and non-registered investment accounts.[1]

Continued on page two

In this issue

RBC Direct Investing

Why worry about the RRSP deadline?

When you use a PAC to contribute to your RRSP, there's an additional advantage. You can contribute regularly throughout the year to help you reach your annual RRSP contribution limit. That means you won't be worrying about how to come up with a lump-sum contribution by the RRSP deadline.

The same is true for contributions to a TFSA. You can add to your TFSA savings throughout the year and get closer to your TFSA limit by regularly contributing through a PAC.

Getting started is easy

No matter where you direct your PAC, you don't need to make a huge commitment. You can set up a PAC for as little as $25 a week. Choose the contribution amount and payment frequency (weekly, bi-weekly, monthly, quarterly) that best suits your cash flow.

If you want to change the amount or frequency, or you wish to skip a contribution, it's easy. If you have set up your PAC online or by phone with a representative, you can update your PAC at any time through those same channels.

Along with our new online PAC form, we've also created a new online calculator to show you how quickly your savings can grow.

Explore the power of regular contributions

To see how quickly your savings will grow if you contribute regularly, check out our new Pre-Authorized Contribution Calculator. There are two ways you can use the calculator:

- Calculate how much your savings will grow by setting up a PAC.
- Calculate how much you need to contribute regularly to reach your goals.

To try out our new tool, visit **www.rbcdirectinvesting.com/pac**.

[1] Contributions and investments made to registered plans are subject to specific requirements imposed by the Income Tax Act (Canada). It is your responsibility to ensure that any contributions or investments meet those requirements.

Start saving now

If you are an RBC Royal Bank client and you have at least one of your accounts linked to your RBC Direct Investing account(s), you can set up a Pre-Authorized Contribution (PAC) plan in minutes:

1. Sign in to RBC Direct Investing.
2. Go to the *Transfer Funds* page under **My Portfolios** and select the **"Pre-Authorized Contribution (PAC)"** tab.
3. Follow the prompts to set up your PAC.

If you need assistance, call 1-800-769-2560 and speak with an Investment Services Representative (ISR). Using our secure screen-sharing technology, an ISR can walk you through the online PAC form.

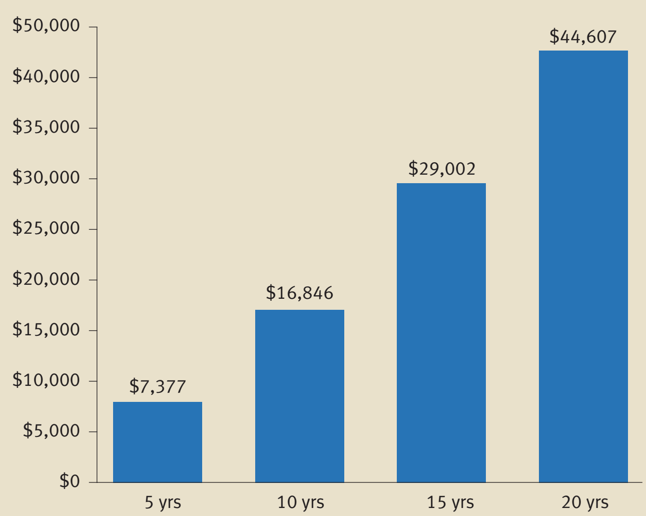
If you prefer, an ISR can set up your PAC for you over the phone. Once your PAC is set up, you will be able to see it online and make modifications as your goals and needs change.

If you wish to set up a PAC that links to a bank account held outside of RBC Royal Bank, download the Pre-Authorized Contribution form at **www.rbcdirectinvesting.com/downloadable-forms.html**, sign it and send it to us (mailing information is on the form). We'll take care of the rest!

Watch your savings grow

Even small amounts add up surprisingly quickly when you contribute regularly. This chart shows how much you'll have after 5, 10, 15 and 20 years when you contribute $50 every other week to your RRSP and earn 5% annually.

Disclaimer: These results are general estimates only and (i) are based on the accuracy and completeness of the data you have entered, (ii) do not account for factors such as taxes or rates of inflation, and (iii) are for informational purposes only and should not be relied on for advice. Actual results may vary, perhaps to a large degree.



Different accounts for different goals

Chances are, you have a number of goals that you would like to achieve. These may range from short-term goals, like saving for a vacation, to longer-term goals, like building a nest egg for retirement. To help you reach these goals, RBC Direct Investing offers many different types of accounts.

Depending on your situation, you may have only one account or several. A young couple with children, for example, might need an RRSP to start setting aside savings today for their retirement, a TFSA to save for their next car and an RESP for their children's post-secondary education.

More accounts don't mean more fees

With our new simplified fee and commission structure, it's even more convenient for our clients to have multiple accounts. Provided you have at least $15,000 in assets across all your RBC Direct Investing accounts, you'll pay no quarterly maintenance fee.

If you have less than $15,000 in assets, you'll pay a low quarterly maintenance fee of just $25 for all your accounts[2], rather than paying fees for each additional account. Plus, there are many ways to have this maintenance fee waived, including setting up a Pre-Authorized Contribution (PAC) plan totalling $300 or more per quarter across all of your RBC Direct Investing accounts.

How to reach your goals faster

By understanding and taking advantage of the various features of each account, you may be able to reach your goals faster. When you set up a PAC, you also help to ensure that your goals get the priority they deserve.

Want to track your progress over time or see where you'll be three or five years from now? Learn more about our goal-setting tool in the next article.

[2] For up to 10 accounts at RBC Direct Investing

Wondering if you're on track? Chart your progress towards meeting your goals

What are you saving for? A new car? That trip you've always wanted to go on? Or maybe your goals are further down the road, like saving for your child's education or your retirement.

No matter what you're saving for, the RBC Direct Investing goal-setting tool gives you a line of sight to the progress you are making. Using the tool, you can:

- Identify your goals.
- Link your goals to one or more RBC Direct Investing accounts.
- Enter the details of your goals — when you hope to reach them, how much you're putting towards them and how much you'll need to achieve each goal.
- Track your progress.

Identifying your goals, designating a specific account for them and then setting up a Pre-Authorized Contribution (PAC) plan all help to ensure your savings get the priority that they deserve. With the RBC Direct Investing goal-setting tool, not only can you see the progress you're making now, but you can also see what would happen if you changed your approach — for example, by contributing more, contributing more often or moving your target date. This can be a great incentive to save even more for the things that you want out of life.

You'll find the tool on the *Manage My Goals* page under the **My Portfolios** tab.

Two ways to save

Want to have your quarterly maintenance fee waived? Here are two of the many ways to do it:

Maintain a minimum balance of $15,000. We'll waive your quarterly maintenance fee automatically if you hold a balance of $15,000 or more across all your accounts at RBC Direct Investing.

Contribute $300 or more per quarter using a PAC. If your balance is below the $15,000 threshold, you can have the maintenance fee waived simply by setting up one or more Pre-Authorized Contribution (PAC) plans totalling $300 or more per quarter. For example, we'll waive the maintenance fee if you set up a PAC to contribute $100 a month to your RRSP or $50 a month to both your RRSP and your TFSA. As long as the total PAC per quarter is $300 or more, you pay no account maintenance fee.

There are many other ways to have your quarterly account maintenance fee waived. For more ways to save, visit **www.rbcdirectinvesting.com/fees**.

Market Outlook

Provided by RBC Global Asset Management Inc. on June 15, 2012

While it is true that economic data is weakening, global risks are growing, and market confidence is faltering, these grim comments need to be put into context. Conditions aren't all bad. Recession remains unlikely outside of Europe and long-standing American economic dysfunctions are beginning to heal. Enormous risks abound and should not be idly discounted, but we do not ultimately expect most of them to transpire. Should these risks eventually be swept aside, past experience demonstrates that markets can perform decently even if underlying economic growth is merely sluggish.

Economic data falters, but all is not lost

The extent of the economic downshifting varies by country, but spans the bulk of economic indicators and nations. Even as the economic outlook has deteriorated, we have held mostly firm with our own forecasts. This is not due to neglect or obstinacy, but rather because our forecasts already capture the weakening state of affairs. We continue to have a more sluggish outlook than the consensus, and so are able to hold fast to our prior convictions even as others scramble to downgrade their views. Our 2013 economic outlook is higher on an absolute basis, yet is even further below consensus given our belief that fiscal drags will apply themselves with greater conviction next year in the U.S., Europe's recession does not look to be easily solved, and slow growth remains the mantra in a post-crisis world of deleveraging banks, businesses, households and governments.

Although most nations are suffering through a period of decelerating economic activity, we must make an important distinction between Europe and the rest of the world. Europe is suffering far more than other regions and has now indisputably tumbled into recession. The trio of fiscal austerity, rock-bottom confidence and weakening credit have seen to that. We believe the odds of a Greek exit from the Eurozone have risen notably, but remain well under 50%. Nonetheless, exit is no longer absurd to contemplate. No one wants this, and so quite a lot of firepower will be used to avoid this fate. We reiterate that while this scenario is difficult to imagine, it also constitutes a central reason why a Greek exit remains unlikely: nobody wants the consequences.

The U.S. economy has slowed in recent months but, at the same time, several dysfunctional elements of the economy have become rather less dysfunctional. Confidence is back in a big way, even if it has not fully translated into risk appetite. The U.S. labour market is beginning to turn, the U.S. credit market is showing improvement as banks extend loans to consumers and businesses, and the U.S. housing market has very likely bottomed. For all of the good work the U.S. economy has managed, there are two late-blooming and somewhat intertwined fiscal risks that could cast a dark shadow over the end of 2012. The first is the U.S. debt ceiling, which will likely present itself again sometime in November. The second is the arrival of an unprecedented "fiscal cliff" at the end of 2012 which could result in the U.S. economy shedding about three percentage points of economic growth. This yawning gap marks the difference between solid growth and the cusp of a recession. Our view is that politicians will come to their senses and ensure that some portion of this fiscal drag is delayed, but a substantial impact will still be felt in 2013.

Continue to favour U.S. dollar based on valuation and safe-haven qualities

The recent performance of the U.S. dollar has been better than many expected with the greenback inching higher from the all-time lows of a year ago. The slow appreciation fits with the gradually improving domestic economy. We continue to favour the U.S. dollar for its attractive long-term valuations and, in the short-term, for its safe-haven qualities. The euro base case is one of slow depreciation, although the tail risk of a Greek exit, even if it is orderly, would bring about a faster decline. The Canadian dollar remains the global growth proxy, negatively correlated to the performance of U.S. equities. Importantly, when the "loonie" exceeds parity with the U.S. dollar, adding the greenback to Canadian dollar portfolios provides some valuable tail risk insurance. In these uncertain markets, with low risk limits imposed on many trading institutions, headlines frequently cause short covering rallies in currencies that had been losing ground against the U.S. dollar. Such volatility presents opportunities for more tactical traders to add to or re-establish long U.S. dollar positions. Longer-term investors should take advantage of it as well.

Inflation under control and short-rates remain low

Inflation has been remarkably well behaved in recent years. In fairness, it has occasionally flitted higher than normal on the back of sporadic commodity spikes, but these have always unwound, as is now happening. We expect inflation to remain controlled, and perhaps even subdued.

Central banks remain resolute in their support of global economic growth. With few exceptions, they are either in the process of delivering more stimulus or holding interest rates extremely low. This is unlikely to change in the near term, as economies slow and fiscal policy becomes less amenable to growth. The U.S. Federal Reserve Board may yet deliver more stimulus should global conditions deteriorate, though this depends greatly on the progression of the economy and inflation, and is not presently a component of our base case. The Bank of Canada is an outlier among advanced nations given its hawkish tilt, but this is not entirely inappropriate given the state of the Canadian economy. The question is whether the global economy will permit such action this year, or force a rain date in 2013.

Upside risks to bond yields remain

Bond yields remain strikingly low and the recent trend has been toward even lower yields as European fears mount. Unorthodox monetary policy, aimed at stimulating the economy through targeting low policy rates and providing liquidity to the market through bond purchases, is clearly an important factor. This is referred to as "financial repression" and reflects central bankers' desire to hold yields at massively stimulative levels. Simply put, central banks continue to dominate the bond market. Ultimately, in an environment where this level of stimulus is no longer needed or appropriate, the path for interest rates will reverse to the upside.

Equities fall from cycle highs, but valuations are supportive

The past three months have been difficult for equity markets. Many of the indexes that reached cycle highs by the end of the first quarter of 2012 have since erased a large portion of those gains. The S&P 500 Index is a good proxy for both the dynamics of the near-term trading range for global equity markets and for longer-term return potential. Current levels of economic growth, corporate profits and confidence indicate a range of 1200 to 1400 for the S&P 500, although valid scenarios certainly exist suggesting outcomes both above and below these levels. Drops below 1200 would likely come if investors see a significant threat to earnings, or worse, if that was combined with a shock to confidence. A break through the upper boundary of 1400 would require the market P/E to rise closer to equilibrium than it has been since the financial crisis or, alternatively, a view that earnings will exceed current forecasts by a meaningful amount. In the meantime, we have been taking advantage of volatility within this range, with tactical management of cash and stock exposure, and will continue to do so until some of the bigger issues threatening the recovery begin to resolve themselves.

Remain overweight stocks, underweight bonds

Threats to the global economy have hit sentiment hard, driving down equity-market valuations while causing investors to bid up government bonds. Given the risks, it is unlikely that yields will normalize in the near term, but barring another severe recession, we believe they will eventually move higher resulting in capital losses for fixed-income investors. In this uncertain environment, record-high corporate profits have been going largely unrewarded, providing an attractive investment opportunity should risk aversion subside. While stock markets are highly unlikely to jump to fair value in the short term, at current depressed levels potential long-term returns are compelling. Since the last edition of the Global Investment Outlook, we have made a number of changes to our tactical asset mix. We continue to overweight equities and underweight bonds, and these trades have simply moderated the degree of these exposures. For a balanced global investor, we recommend an asset mix of 59.5% equities (versus a neutral level of 55%), 35% bonds (versus a neutral level of 40%) with a balance of 5.5% cash.

The complete RBC Investment Strategy Committee's Global Investment Outlook, including the recommended asset mix by investor profiles and the definitions of the investor profiles, can be found on the *Market Insight* page under the **Markets** tab on the RBC Direct Investing site.

On the go?
Get the RBC Mobile app!

It's here! Trade with RBC Direct Investing on your iPhone and iPod touch at your convenience using the newly enhanced RBC Mobile[3] app. Our app is designed to be fast, convenient and easy to use to make your life simpler.

No matter where you are[4], with the RBC Mobile app, you can place trades on stocks, ETFs, options and mutual funds — plus access real-time[5] quotes and stay on top of breaking news and market information.

With mobile flexibility and convenience and the backing of the RBC Direct Investing Online Security Guarantee[6], the RBC Mobile app is a must-have for investors on the go.

Getting started is easy. Visit **www.rbc.com/mobiletrading** or text "**RBC**" to **722722** and you'll receive a text back with a link to download the app.

[3] RBC Mobile is operated by Royal Bank of Canada, RBC Direct Investing Inc. and RBC Dominion Securities Inc.

[4] Available only where permitted by law. The products, services and securities referred to on any RBC Direct Investing automated service (as defined in the Operation of Account Agreement) are only available in the jurisdictions where they may be legally offered for sale. The information provided on any RBC Direct Investing automated service should not be construed as an offer by RBC Direct Investing to sell specific securities in any jurisdiction, including the United States. If you are not currently a resident of Canada, you should not access the information available on any RBC Direct Investing automated service.

[5] Real-time quotes are available upon accepting the terms and conditions of each exchange agreement, on the RBC Direct Investing online investing site.

[6] For a definition of an unauthorized transaction and for full details regarding the protections and limitations of the RBC Direct Investing Online Security Guarantee, please visit www.rbcdirectinvesting.com/investing-site-guarantee.html.

iPhone and iPod touch are trademarks of Apple Inc., registered in the U.S. and other countries.

Keep your eye on the world with timely analysis and commentary

Investment and economic conditions are constantly changing — but RBC Direct Investing gives you convenient online access to the latest analysis and commentary. Keep up-to-date on world and economic events that could affect your portfolio with:

- **RBC Morning Market Commentaries** — daily market updates from RBC Dominion Securities®, with commentaries on equity and fixed-income markets, as well as commodity and currency news.
- **RBC Economics** — timely and relevant forecasts and analysis for Canadian, U.S. and key international economies and markets.
- **Global Investment Outlook** — published by RBC Global Asset Management®, a detailed quarterly investment forecast with recommended asset and geographical weightings from a committee of senior RBC investment professionals.
- **Webcast on current events** — a quarterly update provided by the Chief Investment Officer of RBC Global Asset Management. This webcast contains the views of the RBC Investment Strategy Committee regarding current events in the global economy and capital markets.

You'll find the above on the *Market Insights* page under the **Markets** tab.

RBC Direct Investing