

The Guided Portfolios is a process designed to provide a disciplined approach to managing your equity portfolio. By following the process' guidelines, your portfolio will always be well diversified and structured to fit the current RBC Investments' economic outlook. Furthermore, you can be confident that your portfolio will always own companies with attractive business prospects relative to their industries.

The Investment Strategy

The underlying investment strategy is a combination of top-down economic analysis and bottom-up company screening.

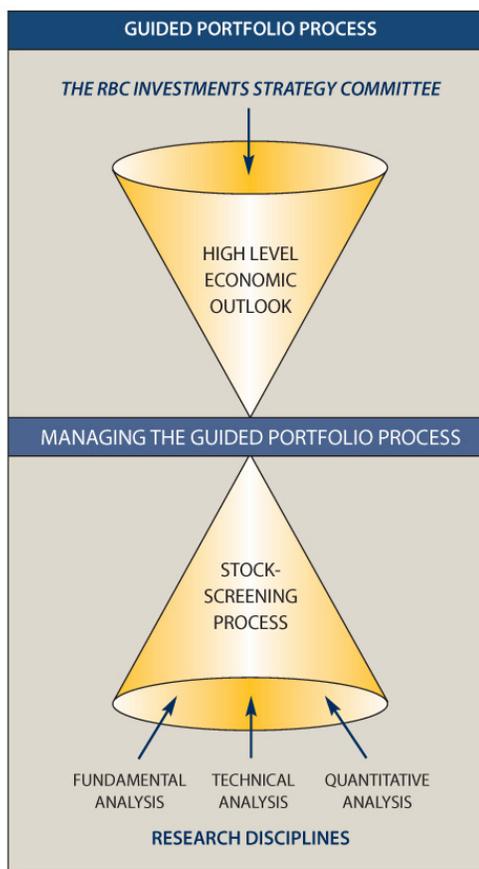
Sector Allocation

Every quarter, and in some cases more frequently, the RBC Investments Strategy Committee, comprised of senior investment professionals, forecasts key macroeconomic variables, such as expected interest rate moves, economic growth, earnings growth, and prevailing valuations of equity markets. Through this analysis, the committee develops recommended over-weights and under-weights for each of the major sectors. These recommendations determine how many companies in your portfolio will be invested in each sector. This enhances your portfolio's ability to deliver attractive returns long-term.

Company Selection

Backed by research from leading North American firms and independent analysis from portfolio managers and research analysts, the selection process is based on a multi-disciplinary approach. Each company is assigned a score based on fundamental, technical, and quantitative analysis.

How does this relate to your portfolio? The universe of companies, from which approximately twenty are to be selected for your portfolio, only includes those that score well across the three research disciplines described above. Confining your portfolio to these companies, means that you will own companies with



attractive potential within their peer group. It also gives you the resolve to ride out the inevitable bad markets, confident in the knowledge that such companies are likely to weather the downturn and be the outperformers when markets eventually turn up once again.

The Management of Your Portfolio

One of the many challenges in managing your portfolio is knowing what to sell and when to sell it. Fortunately, the Guided Portfolios process outlines a clear sell discipline, one that is based on three guidelines (see “The Sell Discipline”).

THE SELL DISCIPLINE

Guideline #1: Match the Sector Allocation

Companies in the various sectors of the economy perform better or worse at different times, due to changing economic and market conditions. As mentioned previously, the RBC Investments Strategy Committee meets regularly to review overall economic factors. Their analysis determines the number of companies in your portfolio to be held in each sector. As these recommendations change, adjustments should be made to ensure your portfolio is exposed to those industries expected to outperform and not overexposed to those industries expected to underperform. This will require you buy and sell positions from a particular sector.

Guideline #2: Only hold stocks that are part of the Guided Portfolios universe

The bottom-up process ensures that only high quality companies, that have scored well relative to others, are included in portfolios. These companies are monitored on a consistent basis to ensure they meet the high standards necessary for inclusion. Should any company’s score deteriorate, it will be removed from the universe. As companies are removed, they should also be sold from your portfolio.

Guideline #3: Rebalance large positions

New portfolios are typically equally allocated across twenty positions. As market prices fluctuate, positions can vary in terms of their percentage weighting of your equity portfolio. Positions may need to be rebalanced if their weightings exceed a certain threshold. This may require you to sell part or all of a position. This rebalancing process ensures your portfolio is not overexposed to any one particular company.

The Benefits

The process ensures that the emphasis and focus is on the entire portfolio, rather than solely on the individual companies within. Furthermore, it provides a sell discipline that will assist in dealing promptly and decisively with any companies whose fortunes deteriorate.

In general, the process:

- Brings a business-like approach to a task that is too often emotionally driven.
- Lets you know in advance what action to take if things unfold in an unexpected way.
- Forces you to deal with negative developments promptly.
- Adapts the portfolio to a changing environment.
- Ensures the portfolio always owns companies that meet high standards.
- Ensures the portfolio is structured to reflect RBC Investments’ assessment of which market sectors offer attractive potential.

In Summary

The Guided Portfolios, and its three guiding principles, create a process that can help you manage your equity portfolio in a disciplined way. You can’t expect to always buy individual companies at the “low” or sell at the “high”. However, you can expect to have a portfolio that is structured to fit the current economic outlook and that is comprised of twenty quality companies who have met our in-depth research and evaluation requirements.



THE GUIDED PORTFOLIOS

Bringing discipline to the management of your equity portfolio

For more information on this process, please contact your Investment Advisor.