



# Royal Bank of Canada ARC Fund Limited

RBC Wealth Management™





## WORLDWIDE CREDENTIALS

RBC is Canada's largest financial services organisation and one of the world's largest banks, providing a wide range of corporate and personal financial services. RBC is a financially sound and strong organisation: the bank's consolidated operations have been consistently profitable for many years and the major credit-rating agencies give RBC reliably high ratings.

Through a network of offices in over 25 key financial centres, the international division of RBC Wealth Management serves clients resident in more than 150 countries. Subject to local regulations, RBC Wealth Management services are offered through affiliates or subsidiaries of RBC in certain jurisdictions.

## ACHIEVING MORE CONSISTENT PORTFOLIO RETURNS WITH ALTERNATIVE INVESTMENT STRATEGIES

Stocks are volatile investments, and movement from time to time can be significant. As an educated investor, you probably measure your portfolio's performance relative to the market. Therefore, if the equities in your portfolio fell only 5%, while the market fell 8%, you might consider this to be a good relative performance, or you may wonder if you could have done better.

If this scenario resonates with you, having strong performance relative to the market may not be enough to meet your needs.

Alternative investments are expected to provide improved downside protection through low correlation with traditional bond and equity markets. We suggest you consider adding Royal Bank of Canada ARC Fund Limited (RBC ARC Fund) to your portfolio.



*Having strong performance relative to the market may not be enough to meet your needs.*



## AIMING FOR ABSOLUTE LONG-TERM RETURNS WITH LOW CORRELATION TO TRADITIONAL ASSET CLASSES

The goal of RBC ARC Fund is to achieve positive absolute returns over the long term, irrespective of market trends. This investment approach is best suited for investors who want to manage risk through diversification by adding an investment solution that typically behaves differently than a traditional portfolio of equities and bonds.

Moving beyond traditional investment methods, RBC ARC Fund invests directly in a range of funds that specialise in investment strategies such as long/short equities, event-driven and global macro. These funds are carefully selected by the specialist investment firm Saguenay Capital, LLC (Saguenay Capital).

Combined with a traditional portfolio, RBC ARC Fund may be an ideal choice for individuals who want to achieve their financial goals while managing the volatility of their investments.

### **RBC ARC FUND IS DESIGNED TO PROVIDE INVESTORS WITH:**

- More consistent returns over the long term with a low correlation to traditional bond and equity markets
- Further diversification within a balanced portfolio — approximately 15 to 40 managers, using several different strategies
- Lower portfolio volatility
- Access to world-class hedge fund managers

## DIVERSIFYING YOUR PORTFOLIO WITH RBC ARC FUND

By incorporating RBC ARC Fund into your portfolio, you can achieve better diversification and lower volatility within your portfolio. Diversification is a time-proven method to effectively spread the risk of any single investment falling in value. There are three classic methods of diversification:

### BY ASSET CLASS

By balancing your portfolio among the three main asset classes — cash, bonds and equities —you can achieve your growth objectives, while reducing volatility. Cash and bonds provide lower returns than equities over the long term, but they are generally less volatile.

### BY GEOGRAPHIC REGION

By diversifying your investments globally, you can minimise the impact on your portfolio of a market downturn in a specific country or region.

### BY INVESTMENT STYLE

The various investment styles, such as growth, value and small-cap, provide varying results over time. However, with your portfolio diversified among these different styles, you can achieve more consistent results.

**Now, with RBC ARC Fund, you can add alternative investment strategies as an additional dimension of diversification.**



*Combined with a traditional portfolio, RBC ARC Fund may be an ideal choice for individuals who want to achieve their financial goals while managing the volatility of their investments.*



*We recognise the requirement for specialised skills and expertise, particularly in hedge fund selection and management. For that reason, Saguenay Capital has been appointed as Investment Adviser to the Fund.*

## BUILDING A POWERFUL PARTNERSHIP — ACHIEVING MORE CONSISTENT RETURNS WITH DISCIPLINED HEDGE FUND STRATEGIES

Long-term investment success demands diversification and a rigorous manager-selection process, as well as ongoing monitoring of risk and return. We recognise the requirement for specialised skills and expertise, particularly in hedge fund selection and management. For that reason, Saugeny Capital, a private investment adviser specialising in hedge funds, has been appointed as Investment Adviser to the Fund.

The members of Saugeny Capital have specialized in hedge fund selection since 2001 and built a successful track record through their approach to constructing and managing diversified portfolios of hedge fund strategies, designed to generate consistent returns in all market environments. They have been involved in all facets of the global capital markets and bring more than 110 years of applied market knowledge to the manager selection and investment process. Portfolio positioning incorporates a top-down strategy-allocation analysis dependent on the firm's macro-economic and geopolitical outlook and a bottom-up manager selection process. Saugeny Capital deploys its extensive experience and market networking history to access highly skilled managers.

Saugeny Capital carefully selects a combination of 15 to 40 different managers, each with a specialised approach to hedge fund investing. The managers are selected based on their ability to identify and capitalise on specific investment opportunities. They use sophisticated strategies, which cannot typically be implemented for traditional investment funds.

## EVALUATING PERFORMANCE, USING A DISCIPLINED, METHODOLOGICAL APPROACH

Saugeny Capital specialises in the art of combining the different styles of hedge fund managers with a disciplined, methodical approach to monitoring and evaluating their performance. In this way, Saugeny Capital minimises the potential impact of poor performance on the part of any individual manager. At any given time, RBC ARC Fund will have exposure to a diversified portfolio of different hedge fund strategies, which may include:

- **Long/short equity** — A global equity market investment strategy that involves long and short positions in selected securities to capture return while managing market risk
- **Event-driven** — A transaction-based strategy that focuses on the conclusion of an event within an anticipated time frame, such as a merger, acquisition or reorganisation
- **Global macro** — A hedge fund strategy that anticipates changes in major global macro-economic variables, including interest rates, fluctuations in currencies, equities and/or bonds in the futures and cash markets
- **Other** — Investment strategies that may incorporate a combination of the above or be more focused on single strategies such as convertible-bond arbitrage or emerging markets



## SELECTING WORLD-CLASS MANAGERS

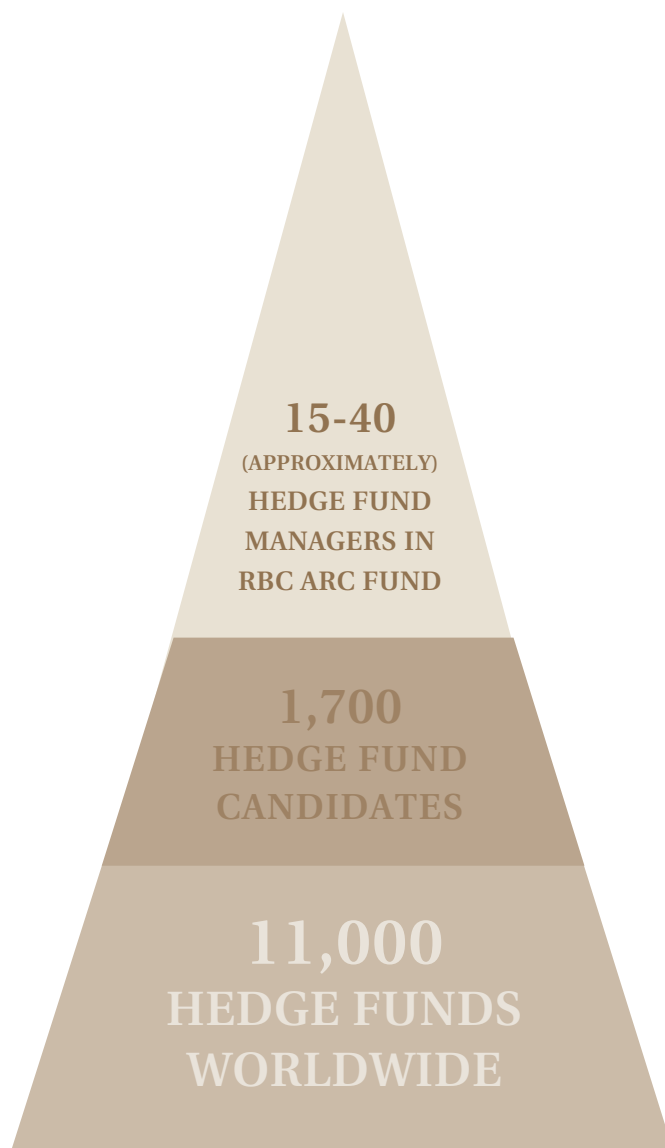
Due to the high minimum investment levels imposed by many hedge funds, individual investors require a substantial investment in order to structure a strategy comparable to RBC ARC Fund. However, by pooling investors' contributions, we can make the strategy available at more accessible levels.

You can expect us to work closely with Saguenay Capital to ensure that RBC ARC Fund meets its stated investment objectives.

## ALIGNING OUR INTERESTS

The fees for RBC ARC Fund consist of a management fee and a performance fee (in excess of a hurdle rate). The performance fee helps align the interests of the manager with those of the investors in the Fund.

You can expect regular reporting from the Fund, including monthly valuations of your investment. Upon request, you will also receive from the Fund a monthly commentary as well as semi-annual and annual financial statements.





## WORKING WITH YOU TO UNDERSTAND YOUR NEEDS

### **INCORPORATE RBC ARC FUND INTO YOUR PORTFOLIO**

Your relationship manager will work with you to understand your needs and create a global investment solution to help you achieve your financial goals.

Part of the solution could involve adding RBC ARC Fund to your portfolio. Determining an appropriate allocation involves a review of

several different factors, including your overall financial objectives, the size and allocation of your portfolio, your risk profile and your investment time horizon. It is important to review your individual financial requirements with your investment adviser to determine the suitability of alternative investments for your portfolio.

## HELPING YOU MEET YOUR INVESTMENT GOALS

### INVEST WISELY

Hedge funds seek to provide performance that has low correlation with traditional equities and bonds. Before you invest in RBC ARC Fund, it is important to understand some other characteristics specific to this type of investment. We recommend you take the time to ensure you have a good understanding of, and comfort level with, the risks of hedge funds in general and the risks of RBC ARC Fund in particular. To that end, we invite you to have a discussion with your relationship manager regarding the appropriateness of RBC ARC Fund or your investment portfolio.

### OTHER IMPORTANT CONSIDERATIONS

The value of your investment may go up and down; however, the objective of RBC ARC Fund is to produce absolute positive returns and reduce the overall volatility of a portfolio.

Similar to other fund of hedge funds, RBC ARC Fund has lower liquidity than traditional investments due to the nature of its underlying investments. The Fund opens monthly for purchases and quarterly for redemptions. For each quarter, advance notice is required for redemptions to ensure liquidity of its underlying funds.



*To that end, we invite you to have a thorough discussion with your relationship manager regarding the appropriateness of RBC ARC Fund for your investment portfolio.*

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Before deciding to invest in RBC ARC Fund, potential investors should read the latest Scheme Particulars document and note the important regulatory disclosures and risk warnings contained therein. Readers should also note that, in some or all respects, the regulatory regime applying in Guernsey (including any investor protection or compensation schemes) may well be different from that of their home jurisdiction.

The past performance of RBC ARC Fund is not necessarily a guide to any future performance of RBC ARC Fund. The price and value of investments can fall as well as rise and investors may not receive, on redemption of their Shares, the original amount invested. Changes in rates of exchange between currencies may have an independent effect, which may be favourable or unfavourable, on the value of investments and income derived from them.

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