

## Royal Bank of Canada ARC Fund Limited (B Shares Investor Class - USD)

### Fund Objective and Investment Approach

The purpose of the Royal Bank of Canada ARC Fund Limited is to generate absolute returns, generally independent of market direction, through global investment in a diversified portfolio of hedge funds employing several managers with a variety of alternative investment styles. The Royal Bank of Canada ARC Fund Limited is a "fund-of-funds" structure that is mandated to invest in a range of approximately 20 to 60 hedge funds at any one time.

#### Investment Manager:

RBC Investment Solutions (CI) Limited

#### Investment Adviser:

Saguenay Capital, LLC

### Performance Summary

#### Net Asset Value

| NAV          |
|--------------|
| USD 163.3299 |

#### Return

| Month  | YTD    | Since Inception | Standard Deviation * |
|--------|--------|-----------------|----------------------|
| -0.79% | -3.77% | 63.33%          | 5.52%                |

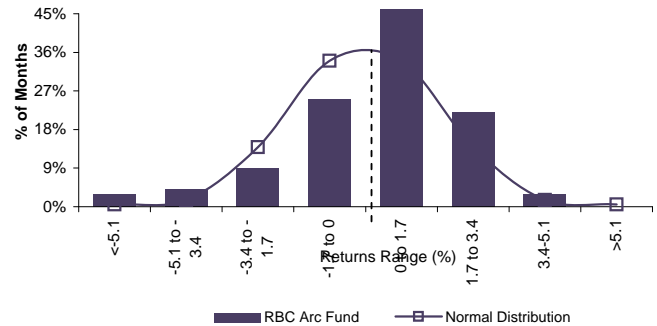
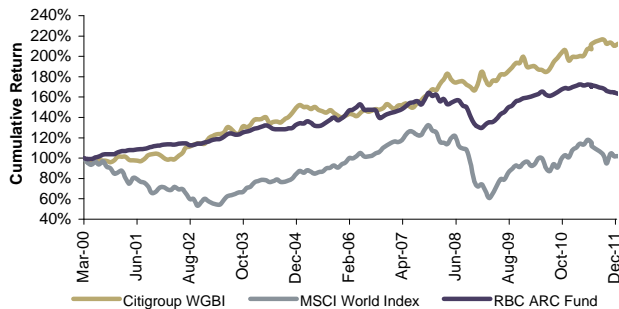
\* Since Inception

### Performance Commentary

Financial markets continued to be driven by events in Europe, although volatility was more subdued than earlier in the year and continued to reduce throughout the month of December. The ECB announced a number support mechanisms for European banks, which included the offer of unlimited three-year financing via a new favourite acronym - LTRO; this removed some of the short-term concerns of the market about bank and sovereign funding, but the credit ratings agencies continue to have their doubts. For the other two main stories of the year - the US fiscal position and the prospect of a hard landing in the Chinese economy - year end indicators and survey results were largely positive. Against this backdrop, equity markets were generally flat with the S&P 500 up a little over 1%, while the Eurostoxx 50 was down -0.6%, broad commodities were net negative and aggregate fixed income generally positive.

The RBC ARC Fund produced a negative return for the month, with the equity long/short book the major detractor to performance. Over the course of 2011, the RBC ARC Fund has delivered strong returns when compared with the broad hedge fund indices (the HFRX Global Hedge Index closed the year at -8.87%) and although the RBC ARC Fund returned 500-600bps better than the HFRX, we are ultimately disappointed to deliver any negative returns. 2011 proved a challenging year for all investment managers as the volatile risk on/risk off environment saw \$6.3 trillion erased from the value of global stock markets with very high asset class and security correlations on both the way up and the way down. Looking forward, as markets remain driven by risk aversion rather than fundamentals in the short term, the RBC ARC Fund portfolio is positioned towards nimble, trading managers who can react quickly to changing market environments. Hedge fund managers have had the time to evolve and adapt their strategies to the 'new normal' and we believe are well placed to profit in 2012.

### Return History, net of fees



|      | Jan    | Feb   | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct    | Nov    | Dec    | YTD     |
|------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 2011 | 0.76%  | 0.79% | -0.47% | 0.56%  | -0.35% | -1.01% | 0.68%  | -1.63% | -1.46% | -0.76% | -0.12% | -0.79% | -3.77%  |
| 2010 | 0.73%  | 0.65% | 0.89%  | 1.50%  | -1.87% | -0.76% | 0.95%  | 1.26%  | 1.51%  | 0.97%  | -0.31% | 0.81%  | 6.47%   |
| 2009 | 2.70%  | 1.61% | 0.33%  | 2.26%  | 3.13%  | 1.68%  | 3.02%  | 1.21%  | 2.63%  | 0.84%  | 1.11%  | 0.43%  | 23.01%  |
| 2008 | -4.11% | 1.63% | -3.35% | 0.94%  | 1.32%  | 0.16%  | -3.20% | -1.28% | -5.91% | -5.00% | -2.28% | -0.92% | -20.21% |
| 2007 | 0.73%  | 0.70% | 1.23%  | 1.73%  | 2.19%  | 0.44%  | 0.81%  | -2.34% | 3.38%  | 4.25%  | -2.02% | 0.89%  | 12.44%  |
| 2006 | 3.41%  | 0.39% | 1.74%  | 1.90%  | -3.43% | -0.17% | -0.04% | -0.35% | -4.87% | 0.79%  | 1.74%  | 0.81%  | 1.64%   |
| 2005 | -0.28% | 1.62% | -1.01% | -2.13% | -0.35% | 1.12%  | 1.77%  | 2.01%  | 1.37%  | -1.98% | 1.56%  | 2.09%  | 5.78%   |
| 2004 | 0.47%  | 1.14% | 0.80%  | -0.97% | -1.68% | -0.11% | -0.06% | 0.06%  | 0.74%  | 0.20%  | 2.32%  | 1.25%  | 4.19%   |
| 2003 | 1.44%  | 0.56% | 0.34%  | 1.60%  | 2.31%  | 0.38%  | -1.01% | 0.31%  | 1.45%  | 0.89%  | 0.72%  | 1.39%  | 10.85%  |
| 2002 | 0.27%  | 0.16% | -0.45% | 0.97%  | 0.30%  | -0.01% | -1.61% | 0.33%  | 0.87%  | 0.03%  | 1.15%  | 0.76%  | 2.77%   |
| 2001 | 1.12%  | 0.04% | 0.76%  | 0.16%  | 0.51%  | 0.30%  | 0.37%  | 0.78%  | 0.92%  | 0.91%  | 0.16%  | 0.78%  | 7.02%   |
| 2000 |        |       |        | -0.80% | 0.03%  | 1.34%  | 1.06%  | 1.91%  | 0.36%  | -0.13% | 0.00%  | 1.88%  | 5.76%   |

Past performance is not indicative of future results.

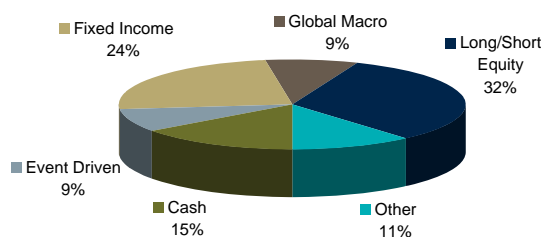
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### Contributors to performance

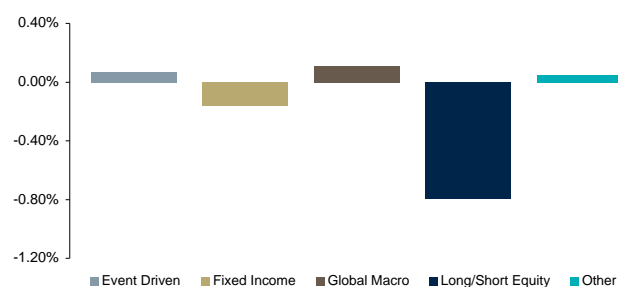
| Top 10 Holdings                                | Strategy              | % of Portfolio |
|--|-----------------------|----------------|
| 1. QFR Victoria Fund CI A Ser 01/10            | Global Macro          | 7%             |
| 2. MKP Credit Offshore CI B Ser A 2010         | Fixed Income          | 7%             |
| 3. MAK Capital International Ltd, CI B Initial | Long/Short Equity     | 5%             |
| 4. Pine River Fixed Inc                        | Fixed Income          | 2%             |
| 5. CCI Technology                              | Long/Short Equity     | 5%             |
| 6. SOLA I Class V Ser E Initial                | Event Driven          | 4%             |
| 7. Claren Road Credit Fund Ltd CI B 26         | Fixed Income          | 4%             |
| 8. Peak6 Performance Ltd                       | Other - MultiStrategy | 1%             |
| 9. Lansdowne Global FCL R USD                  | Long/Short Equity     | 4%             |
| 10. Nantahala Capital CL A Rest Ser 1          | Long/Short Equity     | 3%             |

### Style Allocation

Number of Funds: 24



### Monthly Contribution by Style\*



\*Contribution of style is representative of gross returns

### Financial Analysis

|               |         |               |        |
|---------------|---------|---------------|--------|
| Best Month:   | 4.25%   | Worst Month:  | -5.91% |
| Max Drawdown: | -21.13% |               |        |
| Up Periods:   | 100     | Down Periods: | 41     |

### Fund Information

|                      |  |                  |                            |                            |                    |
|----------------------|--|------------------|----------------------------|----------------------------|--------------------|
| Fund Inception Date: | March 31, 2000   | Lockup:          | N/A                        | Net Asset Value:           | USD 163.3299       |
| Management Fee:      | 2%   | High Water Mark: | Yes                        | Fund Assets (all classes): | USD 108.9 mm       |
| Subscription:        | Monthly (5 bd notice)  | Redemption:      | Quarterly (45 days notice) | Min. Deal Size:            | Initial USD 50,000 |
| Incentive Fee:       | 10% over the equivalent of 6% hurdle p.a., pro-rated monthly |                  |                            |                            |                    |

Price Publication – Newspaper: Financial Times – Internet: <http://www.rbcprivatebanking.com/rbc-arc-fund.html>

Class B Shares: ISIN Nbr: GB 0003058020 – SEDOL: 0305802 – FUNDSERV: RBO019

Class C Shares: ISIN Nbr: GB00B24C7Y81 – SEDOL - B24C7Y8

Payment of redemption proceeds on or about the 20th business day of the month.

\* Chart values may not add up to 100% due to rounding.

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