

Royal Bank of Canada ARC Fund Limited (C Shares Class - GBP)

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 Strathmore Capital

Performance Summary

Net Asset Value

| NAV (GBP) |
|-----------------|
| 111.6213 |

Return

| Month | YTD | Since Inception | Standard Deviation * |
|--------------|--------------|-----------------|----------------------|
| 0.89% | 5.02% | 11.62% | 5.23% |

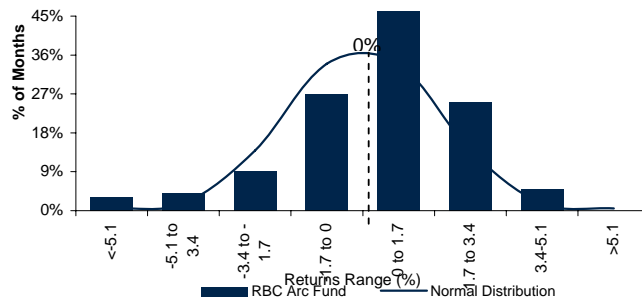
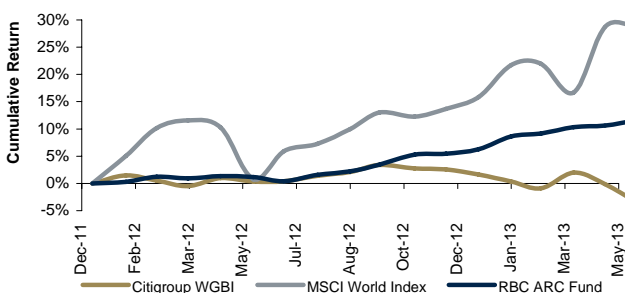
* Prior to class inception (January 2012), returns of the Royal Bank of Canada USD ARC Fund "C" Shares Investor Class are used

Performance Commentary

May was an eventful month as improving US economic data quickly moved from optimism to speculation that the Fed could begin 'tapering' their QE measures earlier than expected. When Chairman Bernanke did little to reduce this uncertainty in his comments made to the U.S. Congress Joint Economic Committee on May 22nd, the market impact was significant. In contrast the news-flow from Europe was relatively quiet, as the ECB rate cut at the start of the month was well anticipated and despite a range of weak data points including another record high level of unemployment being reported during the month, markets were supported by optimism on US growth prospects. Japan continued to benefit from the anticipation of stimulus, although changing expectations of the eventual success of Prime Minister Abe's ambitious policies led to significant volatility, particularly from May 22nd onwards when global risk aversion increased. Equity markets which had been well supported fell from their highs or in the case of Emerging Markets fell further from lows and global benchmark yields rose sharply, breaking out from the compressed levels seen year to date: the US 10 year Treasury rose 45bps, providing the largest fall in bond prices for over 3 years, while in the UK and Europe yields rose around 30bps, yield curves also steepened significantly. In Japan, the JGB 10 year yield rose 25bps and the Nikkei index went into reverse, falling nearly 12% from the high of 15627 to end the month at 13774. The signal from Bernanke that the Fed may begin tapering towards year end represents an important inflection point for markets. In the short term, this heightened uncertainty is likely to lead to higher volatility across almost all markets. This should benefit strategies that have a long volatility bias, while having a more limited effect on those which focus on more asymmetric opportunities such as structured credit where we continue to see attractive opportunities.

For the RBC ARC Fund, it was another solid month - the sharp fall in Emerging Markets contributed to a negative month for the macro manager in the portfolio, while all other strategies contributed strong positive returns.

Return History, net of fees



| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|-------------|-------|-------|-------|--------|--------|--------|-------|-------|-------|-------|-------|-------|-------|
| 2013 | 2.18% | 0.51% | 0.95% | 0.40% | 0.89% | -0.78% | 1.16% | 0.67% | 1.19% | 1.74% | 0.17% | 0.81% | 5.02% |
| 2012 | 0.26% | 0.96% | 0.28% | -0.12% | -0.19% | | | | | | | | 7.85% |

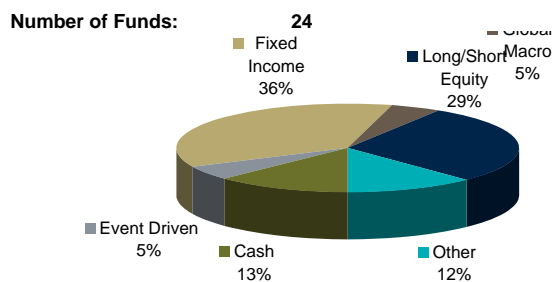
Past performance is not indicative of future results, Data shaded in grey represents the Royal Bank of Canada ARC Fund "B" Class Investor Shares.

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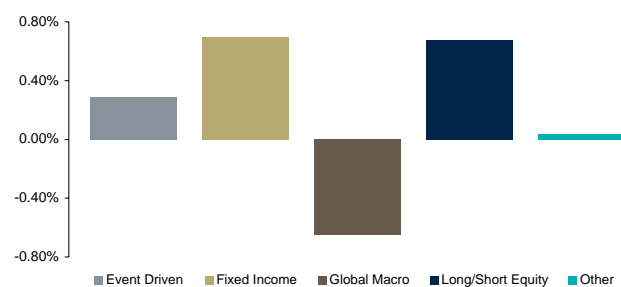
Contributors to performance

| Top 10 Holdings | Strategy | % of Portfolio |
|--|-----------------------|----------------|
| 1. Candlewood Struc | Fixed Income | 7% |
| 2. Claren Road Credit Fund Ltd CI B 26 | Fixed Income | 5% |
| 3. Pine River Fixed Inc | Fixed Income | 5% |
| 4. QFR Victoria Fund CI C Ser 02/10 | Global Macro | 5% |
| 5. 400 Capital Credit | Fixed Income | 5% |
| 5. MAK Capital International | Long/Short Equity | 5% |
| 7. Forty4 Fund Ltd | Fixed Income | 5% |
| 8. CQS ABS Fund | Other - MultiStrategy | 5% |
| 9. 400 Capital Credit Opportunities | Fixed Income | 4% |
| 10. DSAM Long Short Equity Fund | Long/Short Equity | 4% |

Style Allocation



Monthly Contribution by Style*



*Contribution of style is representative of gross returns

Financial Analysis

| | | | |
|---------------|---------|---------------|--------|
| Best Month: | 2.20% | Worst Month: | -0.78% |
| Max Drawdown: | -19.96% | | |
| Up Periods: | 114 | Down Periods: | 44 |

Fund Information

| | | | | | |
|-----------------------------|--|------------------|----------------------------|----------------------------|--------------------|
| Master Fund Inception Date: | March 31, 2000 | Lockup: | N/A | Net Asset Value: | 111.62 |
| Management Fee: | 1% | High Water Mark: | Yes | Fund Assets (all classes): | USD 121.4 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 – Internet: www.rbcwminternational.com/arc-fund
 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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Compliance Code: ADV/11/553