

 **First Trust**
Portfolios Canada

2009 Interim Report (unaudited)

RBC Dominion Securities U.S.
Focus List Portfolio

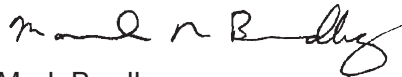
Disclosure of Auditor's Review:

RBC Dominion Securities U.S. Focus List Portfolio

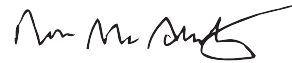
The accompanying unaudited interim financial statements have been prepared by First Defined Portfolio Management Co., the Manager of the RBC Dominion Securities U.S. Focus List Portfolio (the "Fund"). The Fund's Manager is responsible for the information and representations contained in these interim financial statements and other sections of the report.

The Fund's independent auditors have not performed a review of these interim financial statements.

The interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund is described in note 3 to the interim financial statements.



Mark Bradley
Director



Ron McAlister
Director

First Trust Portfolios Canada

RBC Dominion Securities U.S. Focus List Portfolio

SCHEDULE OF INVESTMENTS As at December 31, 2009 (unaudited)

| Number of Shares | | Category | Average Cost (\$) | Fair Value (\$) | % of Total |
|--------------------------|-------------------------------|--------------|-------------------|-------------------|---------------|
| 15,229 | Air Products & Chemicals Inc. | Common Stock | 1,242,195 | 1,293,191 | 4.82 |
| 13,255 | Apache Corp. | Common Stock | 1,401,062 | 1,433,638 | 5.35 |
| 53,971 | Cisco Systems Inc. | Common Stock | 1,310,013 | 1,354,537 | 5.05 |
| 22,079 | Coca-Cola Co. | Common Stock | 1,178,416 | 1,318,657 | 4.91 |
| 75,039 | EMC Corp. | Common Stock | 1,300,331 | 1,372,741 | 5.12 |
| 43,015 | Halliburton Co. | Common Stock | 1,124,756 | 1,356,451 | 5.05 |
| 25,742 | Hewlett-Packard Co. | Common Stock | 1,332,728 | 1,389,001 | 5.18 |
| 32,828 | Honeywell International Inc. | Common Stock | 1,111,141 | 1,348,389 | 5.02 |
| 65,777 | Intel Corp. | Common Stock | 1,191,768 | 1,406,040 | 5.24 |
| 29,723 | JPMorgan Chase & Co. | Common Stock | 1,210,179 | 1,298,442 | 4.84 |
| 23,766 | Kohls Corp. | Common Stock | 1,343,232 | 1,343,670 | 5.01 |
| 19,967 | McDonalds Corp. | Common Stock | 1,228,456 | 1,306,182 | 4.87 |
| 19,995 | Medco Health Solutions Inc. | Common Stock | 976,977 | 1,339,666 | 4.99 |
| 15,632 | Occidental Petroleum Corp. | Common Stock | 1,178,806 | 1,331,837 | 4.96 |
| 69,505 | Pfizer Inc. | Common Stock | 1,359,211 | 1,325,425 | 4.94 |
| 21,797 | Quest Diagnostics Inc. | Common Stock | 1,251,704 | 1,379,736 | 5.14 |
| 7,444 | The Goldman Sachs Group Inc. | Common Stock | 1,307,207 | 1,315,584 | 4.90 |
| 24,106 | The Travelers Cos Inc. | Common Stock | 1,191,888 | 1,259,785 | 4.69 |
| 18,782 | United Technologies Corp. | Common Stock | 1,218,792 | 1,365,312 | 5.09 |
| 23,151 | Wal-Mart Stores Inc. | Common Stock | 1,442,884 | 1,296,765 | 4.83 |
| Total investments | | | 24,901,746 | 26,835,049 | 100.00 |
| Transaction costs | | | (20,232) | - | - |
| Net investments | | | 24,881,514 | 26,835,049 | 100.00 |

See accompanying notes.

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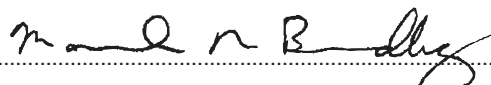
RBC Dominion Securities U.S. Focus List Portfolio

STATEMENTS OF NET ASSETS As at December 31 (unaudited) and June 30 (audited)

| | December 31, 2009 (\$) | June 30, 2009 (\$) |
|--|---------------------------|-----------------------|
| Assets | | |
| Investments, at fair value | 26,835,049 | 26,314,864 |
| Cash | 400,383 | 373,751 |
| Accrued investment income receivable | 18,160 | 18,362 |
| Subscription receivable | 32,710 | 54,632 |
| | 27,286,302 | 26,761,609 |
| Liabilities | | |
| Accrued liabilities | 146,553 | 130,087 |
| Redemptions payable | 11,072 | 153,296 |
| Forward agreements | 107,330 | 782,071 |
| | 264,955 | 1,065,454 |
| Total net assets and shareholders' equity | 27,021,347 | 25,696,155 |
| Total Shareholder Equity for each class | | |
| Series A | 13,186,870 | 13,241,405 |
| Series B | 6 | – |
| Series F | 13,834,465 | 12,454,750 |
| Series G | 6 | – |
| Shares outstanding [note 6] | | |
| Series A | 2,115,039 | 2,465,767 |
| Series B | 1 | – |
| Series F | 2,167,419 | 2,277,430 |
| Series G | 1 | – |
| Net assets per class | | |
| Series A | 6.23 | 5.37 |
| Series B | 6.24 | – |
| Series F | 6.38 | 5.47 |
| Series G | 6.39 | – |
| Investments, at average cost | 24,881,514 | 26,418,020 |

See accompanying notes.

On behalf of the Board of Directors of the Manager,

 Director

 Director

First Trust Portfolios Canada

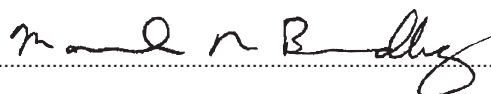
RBC Dominion Securities U.S. Focus List Portfolio

STATEMENTS OF OPERATIONS For the periods ended December 31 (unaudited)

| | December 31, 2009 (\$) | December 31, 2008 (\$) |
|---|---------------------------|---------------------------|
| Revenues | | |
| Dividends, net of withholding taxes | 181,166 | 325,057 |
| Interest | – | 1,732 |
| Other income | – | 7,432 |
| | 181,166 | 334,221 |
| Expenses [note 7] | | |
| Management fees | 181,683 | 245,594 |
| Other expenses | 40,962 | 619 |
| Custody fees | 23,628 | 31,790 |
| Securityholder reporting costs | 23,239 | 13,866 |
| Audit fees | 3,387 | 4,886 |
| Independent Review Committee fees | 2,817 | 3,014 |
| Interest expense | 34 | 225 |
| | 275,750 | 299,994 |
| Net investment (loss) income | (94,584) | 34,227 |
| Realized and unrealized gain (loss) on investments | | |
| Net realized (loss) on investments [note 8] | (362,025) | (11,246,977) |
| Transaction costs [note 3] | (23,367) | (82,702) |
| Change in unrealized appreciation (depreciation) of investments | 2,056,689 | 2,277,344 |
| Net realized gain (loss) on forward agreements | 1,904,517 | (7,597,032) |
| Change in unrealized appreciation (depreciation) on forward agreements | 674,741 | (413,196) |
| Change in unrealized (depreciation) appreciation of foreign currencies | (330) | 6,056 |
| Net gain (loss) on investments | 4,250,225 | (17,056,507) |
| Net increase (decrease) in net assets resulting from operations | 4,155,641 | (17,022,280) |
| Increase (decrease) in net assets from operations for each class | | |
| Series A | 2,072,022 | (7,135,350) |
| Series B | – | – |
| Series F | 2,083,619 | (9,886,930) |
| Series G | – | – |
| Increase (decrease) in net assets from operations per share | | |
| Series A | 0.89 | (3.06) |
| Series B | – | – |
| Series F | 0.93 | (2.94) |
| Series G | – | – |

See accompanying notes.

On behalf of the Board of Directors of the Manager,

 Director

 Director

First Trust Portfolios Canada

RBC Dominion Securities U.S. Focus List Portfolio

| STATEMENTS OF CHANGES IN NET ASSETS For the periods ended December 31 (unaudited) | | | | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2009 Series A (\$) | 2008 Series A (\$) | 2009 Series F (\$) | 2008 Series F (\$) |
| Net assets, beginning of period | 13,241,405 | 17,271,778 | 12,454,750 | 25,852,681 |
| Net increase (decrease) in net assets resulting from operations | 2,072,022 | (7,135,350) | 2,083,619 | (9,886,930) |
| Capital share transactions [note 6] | | | | |
| Proceeds from issuance of shares | 441,098 | 6,327,594 | 1,536,220 | 15,138,117 |
| Redemption of shares | (2,567,655) | (2,009,782) | (2,240,124) | (11,082,519) |
| | (2,126,557) | 4,317,812 | (703,904) | 4,055,598 |
| Increase (decrease) in net assets for the period | (54,535) | (2,817,538) | 1,379,715 | (5,831,332) |
| Net assets, end of period | 13,186,870 | 14,454,240 | 13,834,465 | 20,021,349 |
| | 2009 Series B (\$) | 2009 Series G (\$) | 2009 Total (\$) | 2008 Total (\$) |
| Net assets, beginning of period | – | – | 25,696,155 | 43,124,459 |
| Net increase (decrease) in net assets resulting from operations | – | – | 4,155,641 | (17,022,280) |
| Capital share transactions [note 6] | | | | |
| Proceeds from issuance of shares | 6 | 6 | 1,977,330 | 21,465,711 |
| Redemption of shares | – | – | (4,807,779) | (13,092,301) |
| | 6 | 6 | (2,830,449) | 8,373,410 |
| Increase (decrease) in net assets for the period | 6 | 6 | 1,325,192 | (8,648,870) |
| Net assets, end of period | 6 | 6 | 27,021,347 | 34,475,589 |

See accompanying notes.

RBC Dominion Securities U.S. Focus List Portfolio

Notes to Financial Statements

December 31, 2009 and 2008 (unaudited)

1. THE FUND

The Fund represents a separate class of shares of FT Mutual Fund Corporation (“Fundcorp”) and has its own separate pool of assets within Fundcorp. The date of inception of the Fund was December 3, 2007.

Fundcorp was formed under the laws of Ontario by articles of incorporation dated July 5, 2007, as amended by articles of amendment dated November 30, 2007 in order to remove certain transfer restrictions on the shares of Fundcorp. The authorized capital of Fundcorp includes separate classes of mutual fund shares and separate series of each class. The Fund represents only one of the classes of mutual fund shares offered by Fundcorp. Subject to its articles and applicable law, Fundcorp may offer additional new classes and new series at any time. First Defined Portfolio Management Co. is Manager of the Fund.

The Fund now offers four series of shares under the Simplified Prospectus dated November 25, 2009: Series A, Series B, Series F and Series G shares which are associated with a single investment portfolio. The Fund intends to engage in hedging activities with respect to changes in the U.S.-Canadian foreign exchange rate on that portion of the Fund attributable to the Series A and Series F shares (collectively, the “Hedged Series”). The Series B and Series G shares (collectively, the “Unhedged Series”) will not be subject to the hedging activities.

2. INVESTMENT STRATEGIES

The fundamental investment objective of the Fund is to provide capital appreciation by purchasing and holding, for successive quarterly periods the same U.S. securities as are announced to the public by RBC DS’s U.S. Equity Guided Portfolio Grid Committee (the “Grid Committee”).

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reported period. Actual results may differ from those estimates.

Adoption of New Accounting Standard

Effective July 1, 2009, the Fund adopted the recent amendments to CICA 3862, Financial Instruments – Disclosures. Disclosures about fair value of Financial Instruments, requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund’s financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements.

An amendment to CICA 3862, Financial Instruments – Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

RBC Dominion Securities U.S. Focus List Portfolio

Notes to Financial Statements

December 31, 2009 and 2008 (unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Level 3 One or more significant pricing inputs are unobservable for the financial asset or liability and include situations where there is little, if any, market activity for the financial asset or liability. The inputs into the determination of fair value require significant management judgment or estimation.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective January 20, 2009, the Fund has adopted EIC-173 ("EIC-173"), Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC-173 clarifies how the Fund's own credit risk and counterparty credit risk should be taken into account in determining the fair value of financial assets and financial liabilities, including derivatives. The new guidance did not have any impact in the valuation of the Fund's financial assets and financial liabilities, or its net assets.

Capital Disclosures

Section 1535 (Capital Disclosures) specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. Section 1535 does not have a significant impact on the Fund's disclosures as: (i) the Fund's objectives, policies and processes are described in Note 2; (ii) information on the Fund's shareholders' equity is described in Note 6; and (iii) the Fund does not have any externally imposed capital requirements.

Financial Instruments

The Fund adopted new CICA Handbook sections 3862, "Financial Instruments – Disclosures" ("Section 3862") and 3863, "Financial Instruments – Presentation" ("Section 3863"), replacing the previous section 3861. Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments, and how the Fund manages those risks (which disclosure is contained in Note 11, "Financial risk management"). Section 3863 carries forward unchanged the presentation requirements of section 3861 with respect to financial instruments.

Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are charged to net investment income in the period incurred and are presented as a separate line item in the Statements of Operations.

Valuation of Investments

Investments in listed securities are measured at fair value, which is determined in reference to their quoted bid prices on the principal securities exchange on which the issue is traded. The difference between the fair value and average cost is included in shareholders' equity as unrealized appreciation (depreciation) on investments.

A separate net assets value is calculated for each series of shares of a fund. The net assets value of a particular series of shares is computed by calculating the value of the series' proportionate share of the assets and liabilities of the fund common to all series less direct expenses attributable only to that series. The net assets value is divided by the number of shares outstanding for each series on the day of valuation to compute net assets value per share. Other expenses are allocated proportionately to each series based upon the relative net assets value of each series. Expenses are accrued daily.

RBC Dominion Securities U.S. Focus List Portfolio

Notes to Financial Statements

December 31, 2009 and 2008 (unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment transactions and gains and losses on disposal of investments

Investment transactions are accounted for on the trade date. Realized gains and losses from investments are determined on an average cost basis.

Recognition of income and expenses

Income from investment transactions is recognized on an accrual basis. Interest income is recognized as earned and dividends and distribution income are recognized on the ex-dividend date.

Foreign currencies

The financial statements are prepared in Canadian Dollars. Investments purchased or sold in foreign currencies are translated into Canadian dollars using the exchange rate prevailing on the trade date. Income on foreign investments is recorded net of withholding taxes and is translated at the rate of exchange on the dates of such transactions. The fair values of investments and other assets and liabilities in foreign currencies are translated at the year-end exchange rates.

Increase (decrease) in net assets from operations per share

Increase (decrease) in net assets from operations per share represents the increase (decrease) in net assets from operations by series divided by the average shares outstanding per series during the period.

Foreign exchange forward contracts

The Fund may purchase foreign exchange forward contracts to hedge assets and liabilities denominated in foreign currencies. Unrealized gains and losses on foreign currency denominated financial instruments used to hedge foreign currency assets and liabilities are recorded on the Statement of Net Assets and recognized in the Statement of Operations with unrealized appreciation or depreciation on investments. Upon the closing out of the instrument, any gain or loss on foreign exchange forward contracts is disclosed in the Statement of Operations as realized gain (loss) on foreign exchange forward contracts.

Forward contracts entered into by the Fund represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity.

4. FOREIGN CURRENCY FORWARD CONTRACT

The value of the foreign currency forward contract is the gain or loss that would be realized if, on the valuation date, the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation of forward foreign currency contracts in the Statement of Operations until it is closed out or partially settled.

The Fund may enter into foreign currency forward contracts to minimize the impact of changes in the Canadian-U.S. foreign exchange rate on the Fund's net asset value. The typical duration for a forward contract is one month but some contracts may be for longer periods up to six months. On December 29th, 2009 the Fund settled a forward currency contract and realized a gain of \$154,095.57 USD and entered into a new one month forward contract. The value of the new contract was \$25,700,000 CAD and represented approximately 95% of the currency hedged series of the Fund total net assets, series A and F. As a result of currency fluctuations the unrealized mark-to-market depreciation on the new forward contract was (\$107,330 CAD) as of December 31, 2009. A Schedule 1 Canadian bank is the counterparty to the forward contract.

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Notes to Financial Statements

December 31, 2009 and 2008 (unaudited)

5. FAIR VALUE DISCLOSURES

The Fund's assets recorded at fair value have been categorised based upon a fair value hierarchy in accordance with the amendments to CICA 3862. See Note 3 for a discussion of the Fund's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of December 31, 2009.

| | Financial Assets at Fair Value as at December 31, 2009 | | | |
|--|---|-----------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equities | 26,835,049 | – | – | 26,835,049 |
| Forward Foreign Exchange Currency Contract | – | (107,330) | – | (107,330) |
| | 26,835,049 | (107,330) | – | 26,727,719 |

As of December 31, 2009, there were no transfers of investment between level 1 and level 2.

6. SHAREHOLDERS' EQUITY

The Fund is authorized to issue four Series of shares; Series A, Series B, Series F, and Series G. Series A and Series B are available for any investor. Series F and Series G are only available to clients of certain dealers and brokers who have agreements with the Manager of the Fund.

Shares of the Fund are offered on a continuous basis and may be redeemed at the net asset value for transactional purposes thereof next determined following receipt by the Fund of an application for redemption.

Sales charge is payable up to 3% of the purchase price. No sales charges are applicable for Series F and Series G.

The Fund issued (redeemed) the following shares during the periods ended December 31 (unaudited) and June 30. The Fund issued one share of Series B and one share of Series G for the period ended December 31.

| | December 31, 2009 | | | June 30, 2009 | | |
|----------|-------------------|-----------|-------------|---------------|-------------|-------------|
| | Issued | Redeemed | Outstanding | Issued | Redeemed | Outstanding |
| Series A | 74,667 | (425,395) | 2,115,039 | 1,074,560 | (564,240) | 2,465,767 |
| Series F | 258,343 | (368,354) | 2,167,419 | 2,691,936 | (3,322,324) | 2,277,430 |

7. MANAGEMENT FEES AND EXPENSES

The Manager is entitled to receive management fees from the Fund at the annual rates set out below:

| | Annual Management Fee | |
|-----------------------|--------------------------|----------------------------|
| | (payable monthly) (%) | (payable quarterly) (%) |
| Series A and Series B | 0.75 | 1.00 |
| Series F and Series G | 0.75 | – |

The management fee is accrued daily, based on the daily net asset value and is paid monthly or quarterly, as shown above. The Fund bears all other operating expenses, including brokerage commissions, taxes, legal, audit, custodial and trustee expenses.

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Notes to Financial Statements

December 31, 2009 and 2008 (unaudited)

8. NET REALIZED GAIN (LOSS) ON INVESTMENTS

The net realized gain (loss) on sale of investments was as follows:

| | 2009 (\$) | 2008 (\$) |
|---|------------|--------------|
| Cost of investments at beginning of period | 26,418,020 | 44,320,945 |
| Add: Purchases of investments during the period | 13,392,075 | 46,755,672 |
| | 39,810,095 | 91,076,617 |
| Less: Cost of investments at end of period | 24,881,514 | 34,073,550 |
| Cost of investments sold during the period | 14,928,581 | 57,003,067 |
| Less: Proceeds from sale of investments | 14,589,949 | 45,581,482 |
| | (338,632) | (11,421,585) |
| Add: Net foreign exchange (loss) gain | (23,393) | 174,608 |
| Net realized (loss) on investments | (362,025) | (11,246,977) |

9. TAXATION

The Fundcorp is a "mutual fund corporation" as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. The Fundcorp is generally subject to a tax of 33 1/3 percent under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends. The Fundcorp is also subject to tax on the amount of its interest and foreign dividend income that is not offset by operating expenses. Accumulated non-capital losses of approximately \$165,000 and capital losses of approximately \$21,700,000 are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The non-capital losses expire in 2028 and the capital losses can be carried forward indefinitely.

10. COMMISSION

Total commissions and other transaction costs paid or payable to dealers by the investment fund for its portfolio transactions during the period reported were \$23,367 (2008 – \$82,702). There were no soft dollars paid during the period.

11. FINANCIAL RISK MANAGEMENT

The Fund's financial instruments consist of cash, investments, and other short-term account receivables and account payables. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include market risk, interest rate risk, credit risk, liquidity risk and currency risk. These risks and related risk management practices employed by the Fund are discussed below:

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Notes to Financial Statements

December 31, 2009 and 2008 (unaudited)

11. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's market price risk is managed through diversification of the investment portfolio. The Investment Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges. As at December 31, 2009 and June 30, 2009, the overall market exposures were as follows:

| | At December 31, 2009 | | At June 30, 2009 | |
|------------------------------|----------------------|---------------|------------------|--------------|
| | Fair Value (\$) | % Net Assets | Fair Value (\$) | % Net Assets |
| Securities held for trading | 26,835,049 | 99.31% | 26,314,864 | 102.41% |
| Total market exposure | 26,835,049 | 99.31% | 26,314,864 | 102.41% |

As at December 31, 2009, the Fund's market risk is affected by three main components: changes in actual market prices, interest rates and foreign currency movements. If the following index had increased (decreased) by 5% at December 31, 2009, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

| Market Sensitivity | At December 31, 2009 | | At June 30, 2009 | |
|--------------------|----------------------|------------------|------------------|------------------|
| | 5% Increase (\$) | 5% Decrease (\$) | 5% Increase (\$) | 5% Decrease (\$) |
| Index | | | | |
| SPX 500 | 1,343,147 | 1,343,147 | 1,228,491 | 1,228,491 |
| Total | 1,343,147 | 1,343,147 | 1,228,491 | 1,228,491 |

Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to a significant amount of interest rate risk due to fluctuations in the prevailing level of market interest rates.

Credit risk

As at December 31, 2009, the Fund had no significant investments in debt instruments and/or derivatives.

Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable shares. Therefore, the Fund invests the majority of its assets in investments that are traded in the active market and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. The Fund also has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions. No such borrowings occurred during the year.

RBC Dominion Securities U.S. Focus List Portfolio

Notes to Financial Statements

December 31, 2009 and 2008 (unaudited)

11. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

The Fund holds assets and liabilities, including cash, short-term investments, equities, options and currency-based derivative contracts that are denominated in United States Dollar currencies. The Fund is therefore exposed to currency risk, as the value of the securities denominated in United States Dollar fluctuate due to changes in exchange rates. The table below summarizes the Fund's exposure to currency risk.

| | At December 31, 2009 | | At June 30, 2009 | |
|----------------------|------------------------|------------------------------|------------------------|------------------------------|
| | Currency Exposure (\$) | Percentage of Net Assets (%) | Currency Exposure (\$) | Percentage of Net Assets (%) |
| United States Dollar | 201,983 | 0.01 | 278,100 | 0.01 |

As at December 31, 2009, if the exchange rate between the Canadian Dollar and the United States Dollar increased or decreased by 1%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$2,020 (June 30, 2009 – \$2,781). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

12. NET ASSETS AND NET ASSET VALUE

The Canadian Securities and regulatory authorities have published amendments to National Instruments 81-106 "Investments Fund Continuous Disclosure" ("NI 81-106") that remove the requirement that net asset value for transactional purposes, ("Net Asset Value") be calculated in accordance with CICA Handbook section 3855 "Financial Instruments – Recognition and Measurement" effective September 8, 2008. As a result of the amendments, the Net Asset Value of investment funds will continue to be calculated based on the fair value of investments using the close or last trade price. The net assets per share for financial reporting purposes ("Net Assets") and Net Asset Value per share could be different due to the use of different valuation techniques. As at December 31, 2009, the Fund's net asset value per share was \$6.24 (2008 – \$5.88) per Series A share, \$6.25 (2008 – nil) per Series B share, \$6.39 (2008 – \$5.81) per Series F share, and \$6.39 (2008 – nil) per Series G share. The difference between the net asset value per share for shareholder transactions and the net assets per share as shown on the Statement of Net Assets is due to the use of different pricing methodologies discussed above.

13. CHANGEOVER TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As of December 31, 2009, the Manager has commenced the development of a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants (CICA) for conversion to International Financial Reporting Standards (IFRS). The key elements of the plan include disclosures of the qualitative impact in the 2009 and 2010 financial statements, the disclosures of the quantitative impact, if any, in the 2009 and 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS, with comparatives. The impact the conversion from Canadian GAAP to IFRS will have on the Fund's net assets, accounting policies, financial statements and other business arrangements is being evaluated by the Manager.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation for the period ended December 31, 2009.

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