

The Global Investment Outlook

RBC GAM Investment Strategy Committee



The RBC GAM Investment Strategy Committee



The RBC GAM Investment Strategy Committee consists of senior investment professionals drawn from all areas of RBC Global Asset Management. The Committee regularly receives economic and capital markets related input from internal and external sources. Important guidance is provided by the Committee's regional equity advisors (North America, Europe, Asia, Emerging Markets) and from the Global Fixed Income & Currencies sub-committee. From this, the Committee builds a detailed global investment forecast looking one year forward.

The Committee's view includes an assessment of global fiscal and monetary conditions, projected economic growth and inflation, as well as the expected course of interest rates, major currencies, corporate profits and stock prices.

From this global forecast, the RBC GAM Investment Strategy Committee develops specific guidelines that can be used to manage portfolios.

These include:



Results of the Committee's deliberations are published quarterly in *The Global Investment Outlook*.

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Executive summary



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Our base case is for modest economic growth and inflation calm enough to allow for a resumption of interest-rate cuts. In this environment, we expect decent returns from bonds and even better performance from stocks, especially in regions outside North America where valuations are relatively appealing.

Economies prove resilient in the face of tariff headwinds

U.S. public policy remains the dominant macroeconomic theme, with tariffs and tax cuts both attracting close attention. The average U.S. tariff rate has risen over the past quarter, increasing economic headwinds and adding slightly to inflationary pressures. The good news is that the global economy has been resilient in the face of this protectionism, likely reflecting a combination of economic buoyancy and

lags that may only reveal additional damage later. Some areas of the economy have begun to soften modestly, including the labour market. We believe a U.S. recession remains unlikely, and our global growth forecasts are flat to slightly higher than a quarter ago. Recent U.S. tax cuts provide a partial offset to 2025 headwinds and support an economic acceleration in 2026.

Tariff-induced inflation is less concerning than initially feared

Inflation resulting from President Trump's tariffs is becoming visible, most prominently in the cost of core U.S. consumer goods and reflects the fact that most tariffs focus on this subset of products. We anticipate further price increases given that U.S. inflation has risen by only a fraction of the 1.1 percentage point increase that our models indicate is likely, and real-time data is signaling the arrival of additional price pressures.

That said, the net effect of tariffs on inflation may be somewhat smaller than initially expected. The reasons for this surprise include the fact that many manufacturers have so far held off on passing all of the current inflationary pressures to consumers, the disinflationary impact of declining prices for shelter and oil, and the reality that inflation is not affecting most other countries and regions as much as the U.S.

Longer-term U.S.-dollar bear market still intact

The U.S. dollar fell 10% in the first half of 2025, its largest six-month decline since 2009, followed by a rally in July. The greenback resumed its decline after weak jobs data and as concerns mounted about the integrity and independence of U.S. institutions including the Federal Reserve (Fed).

Our longer-term outlook remains firmly bearish on the U.S. dollar and is reinforced by persistent structural negatives.

We believe the greenback is in the beginning stages of a multi-year downtrend, and that the bulk of the decline will materialize within the first three years of the cycle. Investors will need to be quick to call the dollar's peak if they are to capitalize on this move. In our view, the Japanese yen, the euro and emerging-market currencies stand to benefit the most from U.S.-dollar weakness.

U.S. Fed rate cuts set to resume after long pause

The Fed is on the cusp of resuming interest-rate cuts even as inflation remains slightly above target. In late August, Fed Chair Jerome Powell indicated that the U.S. central bank would place greater weight on the weakening labour market than above-target inflation. Slowing job gains and only slightly elevated inflation should allow Powell's Fed to loosen monetary conditions in support of employment and the economy.

Investors agree and are pricing with near-certainty a rate cut of at least 25 basis points at the September 17 meeting of the Fed's rate-setting committee, with further easing to follow in late 2025 and into 2026. As of August, the market was pricing in between 100 and 125 basis points of cuts over the year ahead. These market-based projections align well with our own thinking in that we expect four rate cuts over the next year.

Sovereign bonds offer coupon-like returns and insurance if the economy stumbles

The U.S. 10-year yield at 4.2% is attractive and situated above modelled equilibrium if inflation does not return with force. Most of the recent increase in bond yields has been driven by rising real interest rates as investors worried about heightened debt levels exacerbated by the One Big Beautiful Bill which promises to boost fiscal spending. Our model indicates that the current real yield is about 70 basis points above normal given structural factors such as aging populations, slowing longer-term economic growth and

increased preference for saving versus spending. We can expect 10-year Treasury bonds to deliver returns in the mid single digits over the year ahead, with minimal valuation risk. Fixed income is also appealing across most of the developed world, except for Japan, where inflation pressures are elevated. In addition to offering decent return potential, bonds at today's higher yields provide critical ballast against equity-market volatility in the context of a balanced portfolio.

Equities soared to records but value remains outside of U.S. mega-cap stocks

Global equities have extended their impressive rebound from earlier this year, with most major markets rallying to record levels. While returns were initially led by mega-cap technology stocks amid excitement around artificial intelligence, the rally has ultimately featured broad participation from international stocks. We should also note that U.S.-dollar returns were bolstered by the weakening greenback. U.S. large-cap stocks, Canadian equities and Japanese equities are fully valued, but stocks in Europe, the UK and emerging markets appear to be attractively priced.

Although valuations are elevated in the highly concentrated U.S. large-cap equity market, the ultimate driver of a

sustained advance in stocks is corporate-profit growth, and earnings have been much better than expected. The resilience of U.S. large-cap companies to deliver strong profit growth even in the face of a challenging macroeconomic backdrop has led analysts to raise their forecasts. The consensus estimate is now for healthy 10.5% earnings growth this year, followed by an even faster 13.7% clip in 2026. If profits continue to meet or even exceed analysts' expectations, the rally could have further room to go. That said, we recognize that heightened valuations will likely limit the magnitude of any future gains.

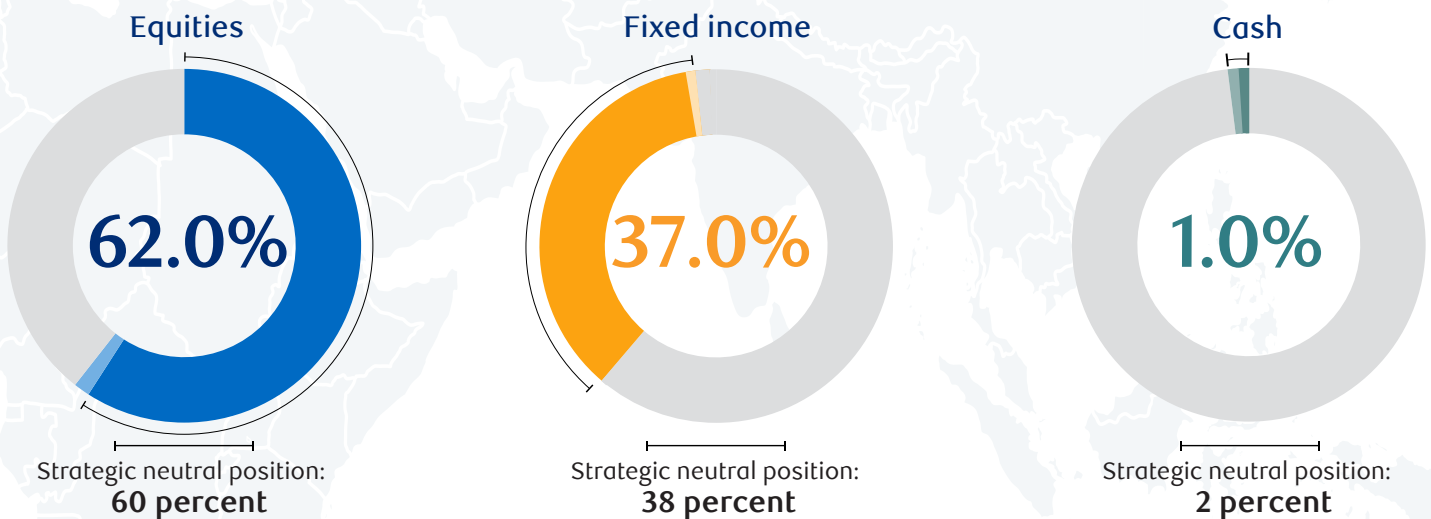
Asset mix – adding to equity allocation, favouring non-U.S. regions

In our base case, the economy continues to grow at a modest pace and inflation remains calm enough to allow the Fed to resume interest-rate cuts soon. We recognize that risks remain with tariffs and trade policy, geopolitical tensions and highly indebted governments. In this environment, we expect bonds to deliver mid single digit returns if inflation doesn't rise drastically. In equities, valuations are more compelling in most of Europe and Asia's developed markets as well as emerging markets,

and these areas therefore offer the potential for superior returns versus North America. As a result, we added one percentage point to our equity allocation, sourced from fixed income, and have directed our equity overweight toward Europe, Asia and emerging markets. For a balanced global investor, our current recommended asset mix is 62.0% equities (strategic "neutral": 60.0%), 37.0% bonds (strategic "neutral": 38.0%) and 1.0% cash.

Recommended asset mix

RBC GAM Investment Strategy Committee



Note: As of September 3, 2025. Source: RBC GAM

Economic & capital markets forecasts

Economic forecast (RBC GAM Investment Strategy Committee)

	United States		Canada		Europe		United Kingdom		Japan		China		Emerging markets*	
	Change from Summer 2025		Change from Summer 2025		Change from Summer 2025		Change from Summer 2025		Change from Summer 2025		Change from Summer 2025		Change from Summer 2025	
	Fall 2025	2025	Fall 2025	2025	Fall 2025	2025	Fall 2025	2025	Fall 2025	2025	Fall 2025	2025	Fall 2025	2025
Real GDP														
2024A	2.80%		1.55%		0.89%		1.10%		0.18%		4.94%		4.98%	
2025E	1.50%	0.10	1.30%	0.20	1.10%	N/C	1.10%	(0.20)	0.80%	N/C	4.90%	(0.10)	4.60%	N/C
2026E	1.70%	0.10	0.90%	0.20	1.10%	N/C	1.00%	(0.30)	0.50%	(0.20)	4.20%	0.00	4.10%	N/C
CPI														
2024A	2.95%		2.38%		2.36%		2.54%		2.74%		0.25%		2.66%	
2025E	2.90%	(0.10)	2.10%	N/C	2.10%	(0.10)	3.30%	(0.10)	3.20%	0.20	0.00%	(0.30)	2.00%	(0.30)
2026E	3.00%	N/C	2.20%	N/C	1.90%	0.10	2.50%	N/C	1.70%	0.10	0.90%	(0.80)	2.30%	(0.50)

A = Actual E = Estimate *GDP Weighted Average of China, India, Brazil, Mexico and Russia. .

Targets (RBC GAM Investment Strategy Committee)

	August 2025	Forecast August 2026	Change from Summer 2025	1-year total return estimate* (%)
Currency markets against USD				
CAD (USD–CAD)	1.37	1.32	N/C	2.9
EUR (EUR–USD)	1.17	1.24	0.02	4.0
JPY (USD–JPY)	147.06	133.00	N/C	7.1
GBP (GBP–USD)	1.35	1.38	N/C	2.2
Fixed income markets				
U.S. Fed Funds Rate (upper bound)	4.50	3.50	(0.25)	
U.S. 10-Year Bond	4.23	4.25	N/C	4.1
Canada Overnight Rate	2.75	2.25	(0.25)	
Canada 10-Year Bond	3.38	3.50	0.25	2.4
Eurozone Deposit Facility Rate	2.00	2.00	0.25	
Germany 10-Year Bund	2.72	2.75	0.25	2.5
U.K. Base Rate	4.00	3.25	(0.25)	
U.K. 10-Year Gilt	4.72	4.25	N/C	8.6
Japan Overnight Call Rate	0.48	0.75	N/C	
Japan 10-Year Bond	1.60	1.75	0.25	0.3
Equity markets				
S&P 500	6460	6650	800	4.2
S&P/TSX Composite	28564	29300	2500	5.2
MSCI Europe	184	195	5	9.3
FTSE 100	9187	9600	550	7.9
Nikkei	42718	45650	5850	8.7
MSCI Emerging Markets	1258	1320	95	7.6

*Total returns are expressed in local currencies with the exception of MSCI Emerging Markets whose return is expressed in USD. Source: RBC GAM

Recommended asset mix

Asset mix – the allocation within portfolios to stocks, bonds and cash – should include both strategic and tactical elements. Strategic asset mix addresses the blend of the major asset classes offering the risk/return tradeoff best suited to an investor’s profile. It can be considered to be the benchmark investment plan that anchors a portfolio through many business and investment cycles, independent of a near-term view of the prospects for the economy and related expectations for capital markets. Tactical asset allocation refers to fine tuning around the strategic setting in an effort to add value by taking advantage of shorter-term fluctuations in markets.

Every individual has differing return expectations and tolerances for volatility, so there is no “one size fits all” strategic asset mix. Based on a 40-year study of historical returns¹ and the volatility² of returns (the range around the average return within which shorter-term results tend to fall), we have developed five broad profiles and assigned a benchmark strategic asset mix for each. These profiles range from very conservative through balanced to aggressive growth. It goes without saying that as investors accept increasing levels of volatility, and therefore greater risk that the actual experience will depart from the longer-term norm, the potential for returns rises. The five profiles presented below may assist investors in selecting a strategic asset mix best aligned to their investment goals.

Each quarter, the RBC GAM Investment Strategy Committee publishes a recommended asset mix based on our current

view of the economy and return expectations for the major asset classes. These weights are further divided into recommended exposures to the variety of global fixed income and equity markets. Our recommendation is targeted at the Balanced profile where the benchmark (strategic neutral) setting is 60% equities, 38% fixed income, and 2% cash.

A tactical range of +/- 15% around the benchmark position allows us to raise or lower exposure to specific asset classes with a goal of tilting portfolios toward those markets that offer comparatively attractive near-term prospects.

This tactical recommendation for the Balanced profile can serve as a guide for movement within the ranges allowed for all other profiles.

The value-added of tactical strategies is, of course, dependent on the degree to which the expected scenario unfolds.

Regular reviews of portfolio weights are essential to the ultimate success of an investment plan as they ensure current exposures are aligned with levels of long-term returns and risk tolerances best suited to individual investors.

Anchoring portfolios with a suitable strategic asset mix, and placing boundaries defining the allowed range for tactical positioning, imposes discipline that can limit damage caused by swings in emotion that inevitably accompany both bull and bear markets.

¹Average return: The average total return produced by the asset class over the period 1985 – 2025, based on monthly results.

²Volatility: The standard deviation of returns. Standard deviation is a statistical measure that indicates the range around the average return within which 2/3 of results will fall into, assuming a normal distribution around the long-term average.

Global asset mix							
	Benchmark policy	Allowable range	Fall 2024	New Year 2025	Spring 2025	Summer 2025	Fall 2025
Cash	2.0%	0.0% – 15.0%	3.0%	2.0%	2.0%	1.0%	1.0%
Bonds	38.0%	23.0% – 53.0%	37.0%	38.0%	38.0%	38.0%	37.0%
Stocks	60.0%	45.0% – 75.0%	60.0%	60.0%	60.0%	61.0%	62.0%

Note: Effective June 1, 2020, we reset our strategic neutral positions to reflect long-lasting changes in economy and capital markets' dynamics. Boosting strategic neutral equity exposure by 5% and reducing fixed income by same amount in our reference balanced portfolio.

Regional allocation							
	WGBI* August 2025	Allowable range	Fall 2024	New Year 2025	Spring 2025	Summer 2025	Fall 2025
Global bonds							
North America	44.1%	34.1% – 54.1%	47.5%	49.2%	50.1%	46.6%	46.6%
Europe	33.2%	23.2% – 43.2%	33.1%	32.7%	32.1%	28.0%	28.2%
Asia	22.7%	12.7% – 32.7%	19.4%	18.1%	17.8%	25.5%	25.2%
	MSCI** August 2025	Allowable range	Fall 2024	New Year 2025	Spring 2025	Summer 2025	Fall 2025
Global equities							
North America	72.5%	62.5% – 82.5%	71.6%	73.2%	72.7%	70.3%	71.6%
Europe	12.8%	2.8% – 22.8%	13.3%	12.2%	12.4%	14.4%	13.4%
Asia	6.4%	0.0% – 16.4%	6.8%	6.6%	6.3%	6.8%	6.5%
Emerging markets	8.3%	0.0% – 18.3%	8.3%	8.0%	8.6%	8.6%	8.5%

Our asset mix is reported as at the end of each quarter. The mix is fluid and may be adjusted within each quarter, although we do not always report on shifts as they occur. The weights in the table should be considered a snapshot of our asset mix at the date of release of the Global Investment Outlook.

Global equity sector allocation					
	MSCI** August 2025	RBC GAM ISC Summer 2025	RBC GAM ISC Fall 2025	Change from Summer 2025	Weight vs. benchmark
Energy	3.43%	1.87%	2.03%	0.16	59.2%
Materials	3.22%	1.62%	1.62%	(0.00)	50.3%
Industrials	11.32%	12.61%	12.32%	(0.29)	108.8%
Consumer discretionary	10.06%	10.22%	10.06%	(0.17)	100.0%
Consumer staples	5.87%	7.02%	4.87%	(2.14)	83.0%
Health care	9.01%	9.57%	9.01%	(0.56)	100.0%
Financials	16.88%	19.20%	17.88%	(1.32)	105.9%
Information technology	27.05%	24.89%	28.05%	3.16	103.7%
Communication services	8.55%	8.12%	10.05%	1.92	117.6%
Utilities	2.65%	3.72%	3.95%	0.23	149.1%
Real estate	1.96%	1.16%	0.16%	(1.00)	8.4%

*FTSE World Government Bond Index. **MSCI World Index. Source: RBC GAM Investment Strategy Committee

At RBC GAM, we have a team dedicated to setting and reviewing the strategic asset mix for all of our multi-asset solutions. With an emphasis on consistency of returns, risk management and capital preservation, we have developed a strategic asset allocation framework for five client risk profiles that correspond to broad investor objectives and risk preferences. These five profiles range from Very Conservative through Balanced to Aggressive Growth.

Very Conservative

Asset class	Bench- mark	Range	Last quarter	Current recommendation
Cash & Cash Equivalents	2%	0-15%	1.0%	1.0%
Fixed Income	73%	68-88%	73.0%	72.0%
Total Cash & Fixed Income	75%	60-90%	74.0%	73.0%
Canadian Equities	10%	0-20%	10.3%	10.9%
U.S. Equities	8%	0-18%	7.9%	8.0%
International Equities	7%	0-17%	7.8%	8.1%
Emerging Markets	0%	0%	0.0%	0.0%
Total Equities	25%	10-40%	26.0%	27.0%
			Return	Volatility
40-year average			7.1%	4.8%
Last 12 months			7.2%	4.0%

Very Conservative investors will seek income with maximum capital preservation and the potential for modest capital growth, and be comfortable with small fluctuations in the value of their investments. This portfolio will invest primarily in fixed-income securities, and a small amount of equities, to generate income while providing some protection against inflation. Investors who fit this profile generally plan to hold their investment for the medium to long term.

Conservative

Asset class	Bench- mark	Range	Last quarter	Current recommendation
Cash & Cash Equivalents	2%	0-15%	1.0%	1.0%
Fixed Income	58%	43-83%	58.0%	57.0%
Total Cash & Fixed Income	60%	45-75%	59.0%	58.0%
Canadian Equities	13%	3-23%	13.1%	13.7%
U.S. Equities	15%	5-25%	14.8%	15.0%
International Equities	12%	2-22%	13.1%	13.3%
Emerging Markets	0%	0%	0.0%	0.0%
Total Equities	40%	25-55%	41.0%	42.0%
			Return	Volatility
40-year average			7.7%	6.1%
Last 12 months			9.7%	4.7%

Conservative investors will pursue modest income and capital growth with reasonable capital preservation, and be comfortable with moderate fluctuations in the value of their investments. The portfolio will invest primarily in fixed-income securities, with some equities, to achieve more consistent performance and provide a reasonable amount of safety. The profile is suitable for investors who plan to hold their investment over the medium to long term.

Balanced

Asset class	Bench- mark	Range	Last quarter	Current recommendation
Cash & Cash Equivalents	2%	0-15%	1.0%	1.0%
Fixed Income	38%	23-53%	38.0%	37.0%
Total Cash & Fixed Income	40%	25-55%	39.0%	38.0%
Canadian Equities	15%	5-25%	14.9%	15.3%
U.S. Equities	25%	15-35%	24.5%	25.0%
International Equities	15%	5-25%	16.3%	16.3%
Emerging Markets	5%	0-15%	5.3%	5.4%
Total Equities	60%	45-75%	61.0%	62.0%
			Return	Volatility
40-year average			8.2%	7.7%
Last 12 months			12.9%	5.9%

The **Balanced** portfolio is appropriate for investors seeking balance between long-term capital growth and capital preservation, with a secondary focus on modest income, and who are comfortable with moderate fluctuations in the value of their investments. More than half the portfolio will usually be invested in a diversified mix of Canadian, U.S. and global equities. This profile is suitable for investors who plan to hold their investment for the medium to long term.

Growth

Asset class	Bench- mark	Range	Last quarter	Current recommendation
Cash & Cash Equivalents	2%	0-15%	1.0%	1.0%
Fixed Income	23%	8-38%	23.0%	22.0%
Total Cash & Fixed Income	25%	10-40%	24.0%	23.0%
Canadian Equities	18%	8-28%	17.8%	18.1%
U.S. Equities	30%	20-40%	29.2%	30.0%
International Equities	19%	9-29%	20.6%	20.4%
Emerging Markets	8%	0-18%	8.4%	8.5%
Total Equities	75%	60-90%	76.0%	77.0%
			Return	Volatility
40-year average			8.5%	9.5%
Last 12 months			15.5%	6.8%

Investors who fit the **Growth** profile will seek long-term growth over capital preservation and regular income, and be comfortable with considerable fluctuations in the value of their investments. This portfolio primarily holds a diversified mix of Canadian, U.S. and global equities and is suitable for investors who plan to invest for the long term.

Aggressive Growth

Asset class	Bench- mark	Range	Last quarter	Current recommendation
Cash & Cash Equivalents	2%	0-15%	1.0%	0.0%
Fixed Income	0%	0-15%	0.0%	0.0%
Total Cash & Fixed Income	2%	0-17%	1.0%	0.0%
Canadian Equities	29%	19-39%	28.8%	29.0%
U.S. Equities	38%	28-48%	36.8%	38.0%
International Equities	20%	10-30%	21.9%	21.5%
Emerging Markets	11%	1-21%	11.5%	11.5%
Total Equities	98%	83-100%	99.0%	100.0%
			Return	Volatility
40-year average			9.1%	11.9%
Last 12 months			20.0%	8.5%

Aggressive Growth investors seek maximum long-term growth over capital preservation and regular income, and are comfortable with significant fluctuations in the value of their investments. The portfolio is almost entirely invested in stocks and emphasizes exposure to global equities. This investment profile is suitable only for investors with a high risk tolerance and who plan to hold their investments for the long term.



Capital markets performance



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The U.S. dollar fell against the euro and gained versus the yen during the three months ended Aug. 31, 2025, while finishing essentially unchanged versus the British pound and Canadian dollar. The greenback was down 2.9% against the euro and up 2.1% against the Japanese yen. Structural headwinds like the U.S. dollar's substantial overvaluation, large U.S. trade and fiscal deficits, higher inflation than peers, policy uncertainty and a shrinking workforce continued to weigh on the greenback. The decline in the U.S. dollar was interrupted in July, as the greenback rallied with the signing of trade deals seen as positive for the economy, and the omission of a proposed tax on foreign holders of U.S. assets from Trump's signature fiscal bill. The euro was a top performer as optimism about a regional economic renaissance increased, with the latest economic data solid and massive German fiscal spending on the horizon. Political uncertainty and relatively low interest rates in Japan were a drag on the yen, making it the worst performer over the latest quarter. Over the one-year period, the U.S. dollar declined 5.5% against the euro and 2.8% against the pound but appreciated 1.9% versus the loonie and 0.5% against the yen.

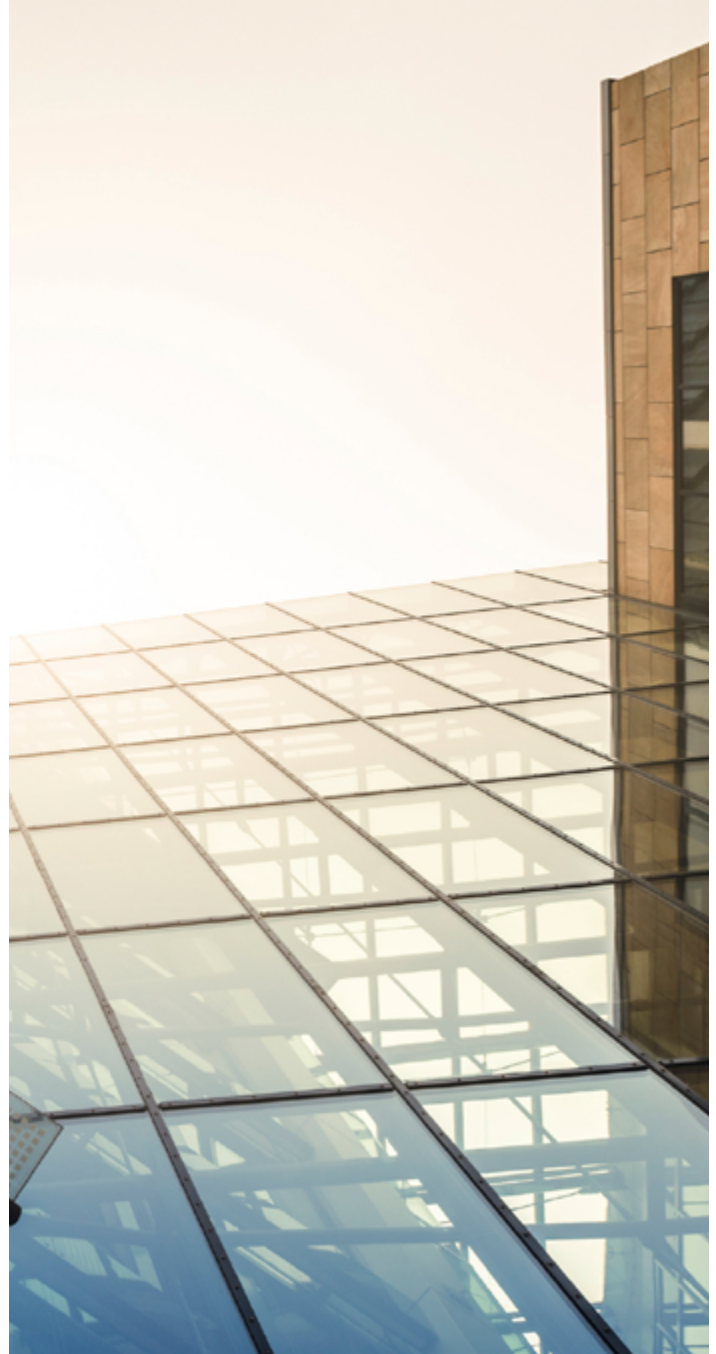
Global fixed-income returns were mixed in the latest quarter as bond yields rose slightly in most major markets but declined slightly in the U.S. A soft employment report and a dovish speech by Jerome Powell, Chair of the U.S. Federal

Reserve, raised the probability of near-term rate cuts, pulling the yield on the U.S. 10-year bond lower by 17 basis points to 4.23%. Outside of the U.S., yields inched higher as investors demanded more compensation for holding longer-term bonds issued by regions with untenable debt loads like Japan, UK and the eurozone. As a result, the 2.5% rise in the FTSE U.S. Government Bond Index was the best bond-market return, while the FTSE Japanese Government Bond Index's 2.9% loss was the worst, in U.S.-dollar terms. Impacted by currency moves, the marginal loss in Japanese bonds was amplified by yen depreciation, while euro appreciation more than fully accounted for the Bloomberg Pan-European Government Bond Index's 2.1% gain in U.S. dollars. Over the 12-month period, Bloomberg's European government-bond index performed best, up 6.0%, compared with a 7.8% decline for the FTSE Japan, all in U.S.-dollar terms.

Global equities surged, with many major indexes making records in the latest quarter. This year's global rally in stocks began when Trump announced a pause to "Liberation Day" reciprocal tariffs on April 9, and U.S. trade policy uncertainty has since moderated further. The S&P 500 Index gained 9.6% this past quarter, with the largest technology stocks leading the charge, and the index is up 30% from its early-April bottom. The MSCI Germany Index lagged with a 1.7% return in U.S. dollars over the last three months as it consolidated

impressive gains from earlier this year, and as investors awaited stronger earnings growth from the country's announced fiscal-spending plans. Stocks delivered above-average returns over the one-year period, ranging from the 9.8% return for the MSCI France to the 30.6% gain for the MSCI Germany. Most index returns were in the low- to high-teens in U.S. dollars.

The S&P SmallCap 600 Index, which climbed 12.4% in the three-month period, outperformed the large-cap S&P 500 by 2.8 percentage points and the S&P MidCap 400 Index by 3.6 percentage points as small business optimism rose, and the small-cap earnings outlook was boosted by expectations of impending rate cuts. The Russell 3000 Growth Index beat the Russell 3000 Value Index by 4.0 percentage points as earnings growth at mega-cap technology exceeded lofty expectations and the stocks continued to reflect investors' positive views of advances in artificial intelligence. For the same reasons, Information Technology and Communication Services – home to Alphabet and Meta Platforms – were the top performing sectors over the three months, up 14.2% and 13.3%, respectively. The defensive Consumer Staples sector was the worst performer, down 1.9%, as investors preferred more cyclical sectors in a resilient economy. Over the 12-month time frame, Communication Services was the best performing sector with a 33.8% return, followed by Financial and Information Technology, which gained 28.1% and 21.2%, respectively. The Health Care sector ranked last with a 11.6% loss.



Exchange rates
Periods ending August 29, 2025

	Current USD	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)
USD–CAD	1.3734	0.07	(4.46)	1.91	1.50	1.04
USD–EUR	0.8548	(2.94)	(11.46)	(5.51)	(4.94)	0.40
USD–GBP	0.7399	(0.31)	(7.38)	(2.83)	(4.92)	(0.22)
USD–JPY	146.9550	2.13	(6.60)	0.52	1.89	6.77

Note: all changes above are expressed in US dollar terms

Canada fixed income markets
Periods ending August 29, 2025

	USD					CAD		
Fixed income markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
FTSE Canada Univ. Bond Index TR	(0.38)	5.78	1.02	2.29	(1.50)	(0.31)	2.95	3.82

U.S. fixed income markets
Periods ending August 29, 2025

	USD					CAD		
Fixed income markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
FTSE U.S. Government TR	2.54	5.04	3.16	3.04	(0.69)	2.54	3.16	3.04
BBg U.S. Agg. Bond Index TR ¹	2.48	4.99	3.14	3.02	(0.68)	2.48	3.14	3.02

Global fixed income markets
Periods ending August 29, 2025

	USD					CAD		
Fixed income markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
FTSE WGBI TR	1.40	6.78	2.63	2.44	(3.18)	1.26	4.55	4.07
Bloomberg Pan-European Govt TR	2.08	12.63	6.05	5.88	(3.39)	1.93	8.03	7.56
FTSE Japanese Government TR	(2.88)	0.77	(7.85)	(6.39)	(9.53)	(2.81)	(6.09)	(4.99)

Canada equity markets
Periods ending August 29, 2025

	USD					CAD		
Equity markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
S&P/TSX Composite	9.77	23.07	23.50	15.75	13.80	9.85	25.86	17.49
S&P/TSX 60	8.80	22.01	22.36	15.33	13.76	8.88	24.69	17.06
S&P/TSX Small Cap	17.75	30.95	28.31	14.49	13.73	17.84	30.76	16.21

U.S. equity markets
Periods ending August 29, 2025

	USD					CAD		
Equity markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
S&P 500 TR	9.62	10.79	15.88	19.54	14.74	9.70	18.09	21.33
S&P 400 TR	8.83	5.28	6.86	12.00	12.76	8.91	8.90	13.68
S&P 600 TR	12.43	3.23	3.51	8.62	11.64	12.26	5.44	10.34
Russell 3000 Value TR	7.68	9.83	9.12	12.64	12.98	14.15	12.58	13.22
Russell 3000 Growth TR	11.66	11.15	22.01	24.32	14.80	7.76	11.21	14.33
NASDAQ Composite Index TR	12.43	11.60	21.95	22.94	13.60	12.51	24.28	24.79

Note: All rates of return presented for periods longer than 1 year are annualized. ¹Bloomberg U.S. Agg. Bond Index TR. Source: RBC GAM

Global equity markets
Periods ending August 29, 2025

	USD					CAD		
Equity markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
MSCI World TR *	8.41	13.78	15.68	18.50	12.89	8.26	17.84	20.38
MSCI EAFE TR *	5.06	22.79	13.87	17.04	10.15	4.91	16.00	18.90
MSCI Europe TR *	3.69	25.02	13.28	18.46	10.99	3.54	15.40	20.34
MSCI Pacific TR *	10.77	21.16	20.11	13.37	6.15	10.61	22.36	15.17
MSCI UK TR *	6.03	24.69	16.49	17.72	13.90	6.03	16.49	17.72
MSCI France TR *	2.65	20.73	9.80	15.73	10.55	2.50	11.85	17.57
MSCI Germany TR *	1.72	33.54	30.62	27.17	9.86	1.57	33.06	29.19
MSCI Japan TR *	7.26	17.83	12.94	15.94	8.67	7.10	15.05	17.78
MSCI Emerging Markets TR *	9.47	19.02	16.80	10.82	5.21	9.31	18.99	12.58

Global equity sectors
Periods ending August 29, 2025

	USD					CAD		
Sector: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
Energy TR *	11.90	11.48	4.78	8.34	21.25	11.74	6.74	10.06
Materials TR *	7.76	16.75	4.85	10.83	8.60	7.61	6.81	12.59
Industrials TR *	5.86	20.25	18.29	21.00	14.22	5.71	20.50	22.92
Consumer discretionary TR *	6.74	4.52	19.56	15.05	8.60	6.58	21.79	16.87
Consumer staples TR *	(1.91)	9.43	3.31	6.80	5.69	(2.05)	5.24	8.50
Health care TR *	3.50	2.84	(11.60)	5.46	5.20	3.35	(9.95)	7.13
Financials TR *	7.91	21.77	28.10	23.96	19.24	7.75	30.49	25.93
Information technology TR *	14.17	13.39	21.21	28.81	17.47	14.00	23.48	30.85
Communication services TR*	13.33	20.35	33.85	27.58	13.09	13.16	36.35	29.61
Utilities TR *	3.25	17.97	14.33	9.49	8.75	3.10	16.47	11.23
Real estate TR *	3.28	8.73	2.01	3.93	4.39	3.13	3.92	5.58

* Net of taxes. Note: all rates of return presented for periods longer than 1 year are annualized. Source: Bloomberg/MSCI



Economic outlook

Economic resilience amid slowdown



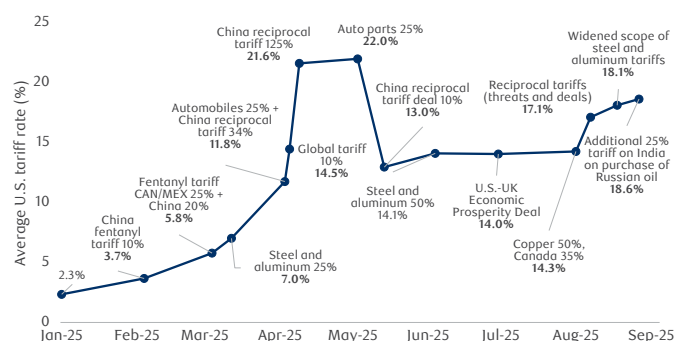
Eric Lascelles

Managing Director & Chief Economist
RBC Global Asset Management Inc.

U.S. public policy remains the dominant macroeconomic theme, with tariffs and tax cuts both attracting particularly close attention. The average U.S. tariff rate has risen yet again over the past quarter (Exhibit 1), incrementally increasing the resulting economic headwind and adding slightly to the inflationary effect.

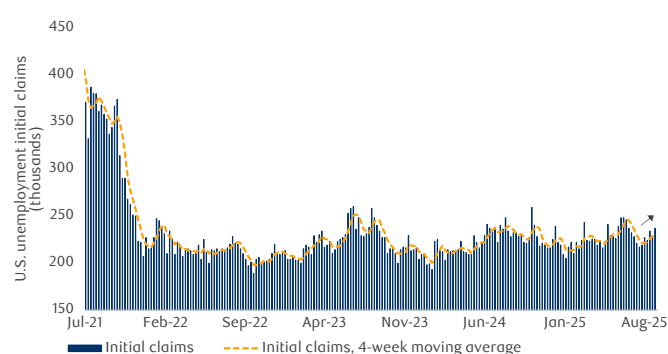
The good news is that the U.S., and indeed the global economy, have proven fairly resilient in the face of this protectionism, likely reflecting a combination of genuine economic buoyancy and lags that may reveal additional damage later. Some economic indicators such as the unemployment rate and jobless claims have begun to soften, but only modestly (Exhibit 2). We believe a U.S. recession remains unlikely, though growth should be lacklustre over the next few quarters.

Exhibit 1: Average U.S. tariff rate



Note: Effective tariff rates estimated based on tariffs in effect as at the specified date and up to September 4, 2025; threatened rates not included. Excludes the de minimis effect – suspension of de minimis exemption for China and Hong Kong in May 2025 and effective August 29 for all other countries. All UK steel exports to U.S. are assumed to be covered under the quota system. Expected tariff rate assumes instantaneous and complete implementation (i.e., does not account for shipping delays, implementation lags, etc.) Source: Evercore ISI Tariff Tracker, IMF, Macrobond, RBC GAM

Exhibit 2: U.S. jobless claims low and rising slightly



Note: As of the week ending 08/30/2025. Source: DOL, Macrobond, RBC GAM

Overall, our growth forecasts are flat to slightly higher than a quarter ago. Recent tax cuts provide a partial offset to 2025 headwinds, and then promise to drive an important economic acceleration in 2026.

U.S. economic exceptionalism has diminished given the combination of fiscal concerns, rising polarization, declining international trust in the U.S., and sub-optimal economic policies. But the U.S. advantage is probably not gone altogether. Meanwhile, the rest of the developed world has seemingly awakened from a long slumber and is now better positioned to grow economically than it has been in some time, albeit with certain limitations.

From a financial-market standpoint, modest rate cutting may allow short-term rates to fall, but longer-term yields could remain sticky near current relatively elevated levels given swirling fiscal, inflation and public-policy concerns.

The stock market can hardly be described as inexpensive, but the prospect of an economic acceleration in 2026 combined with robust earnings expectations suggest that equities are more likely to rise than fall. We have accordingly increased our recommended equity allocation.

While U.S. financial markets host a disproportionate share of the world's most dynamic, cutting-edge companies, we are now modestly overweight other regions given their relatively less expensive valuations and somewhat improved macroeconomic prospects.

Tariffs rise, but only modest damage

The Trump White House continued to ratchet tariffs higher over the past quarter, sending the weighted average tariff rate to nearly 19% as of early September. This figure is slightly higher than we had budgeted for and constitutes an incremental economic negative.

The path higher for tariffs was hardly smooth, involving significant uncertainty, bold proposals, abrupt reversals and a multitude of trade deals. The key developments were:

- New trade deals were reached between the U.S. and jurisdictions including the UK, EU, Japan, South Korea, Vietnam and Thailand (Exhibit 3). However, for most, the new tariff rates are higher than the old ones.

Exhibit 3: Present U.S. tariff landscape (major trading partners >1% of U.S. imports)

Country	Share of U.S. imports (2024)	Interim baseline tariff rate	New or pending rate
Deals struck			
European Union	18.5%	10%	15%
Japan	4.5%	10%	15%
Vietnam	4.2%	10%	20%
South Korea	4.0%	10%	15%
United Kingdom	2.1%	10%	10%
Thailand	1.9%	10%	19%
Separate deadlines			
Mexico (Nov 1)	15.5%	25%	30%
China (Nov 10)	13.4%	30%	
No deal			
Canada	12.6%	25%	35%
Taiwan	3.6%	10%	20%
India	2.7%	10%	50%
Switzerland	1.9%	10%	39%
Malaysia	1.6%	10%	19%
Brazil	1.3%	10%	50%

Notes: As of 09/02/2025. Canada and Mexico tariffs only affect non-USMCA compliant goods. Highlighted numbers indicate current tariff rates in effect. Source: IMF, The White House, RBC GAM

- Trade negotiations were extended into November for China and Mexico.
- Many countries failed to negotiate trade deals with the U.S. by the August 1 deadline, including Canada, Taiwan, India, Switzerland, Malaysia and Brazil, all of which have been accordingly struck with sharply higher tariff rates.
- There was a broadening in the scope and a doubling in the rate on global steel and aluminum tariffs.
- Copper tariffs were introduced.
- De minimis tariff exemptions were cancelled, meaning that low-value goods are no longer exempt from tariffs.

It is unclear how to interpret the commitment by a range of foreign powers to invest or lend hundreds of billions of dollars to the U.S, as such promises constitute governments making pledges that only private companies can deliver. We assume that most such investment commitments will not fully materialize.

Looking forward, the U.S. is proposing additional sector-based tariffs on forestry products, furniture, computer chips and pharmaceuticals. Conversely, it seems reasonable to expect some additional national-level trade deals in the coming months that could somewhat reduce the current tariff burden.

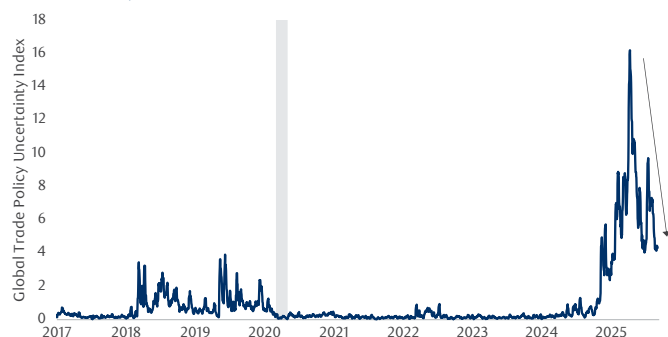
A sizeable complicating factor is that U.S. courts are striking down President Trump's tariffs that target entire nations at a time. Courts are skeptical that trade imbalances constitute the sort of emergency that justify use of the International Emergency Economic Powers Act (IEEPA). The tariffs remain intact on an interim basis, and a further legal appeal is pending. The U.S. Supreme Court may yet uphold the tariffs, and even if the IEEPA-based tariffs are struck down by that body, our take is that there are enough remaining tools in President Trump's tariff toolkit to broadly achieve his goals.

On balance, the uncertainty surrounding the outlook for trade policy is now substantially lower than it was a few quarters ago (Exhibit 4). Most countries have a sense of their approximate tariff burden, and it looks like the average U.S. tariff rate will range between about 15% and 20%. This reduced uncertainty should theoretically allow economic actors to start making major decisions again.

As has been widely documented, tariffs should hurt economic growth and increase prices in the U.S., and also damage economic growth to varying degrees – depending on the depth of trade exposure to the U.S. and the size of the tariffs – in other countries. Based on our calculations, the countries most exposed to the impact of U.S. tariffs should be Vietnam, Mexico, Thailand, Malaysia, Taiwan, Canada, South Korea and China.

What has been most noticeable, especially in the U.S., is that the economic damage from tariffs has so far been relatively slight. Hiring has slowed sharply, but this has as much to do with lower immigration as with economic pessimism, and the unemployment rate has only inched higher. The Dallas Fed's weekly economic index has wobbled but remains fundamentally normal (Exhibit 5). Measures of economic sentiment, such as CEO confidence, have partially rebounded from the spring, when concern about tariffs was at its maximum (Exhibit 6).

Exhibit 4: While still elevated, global trade policy uncertainty falls as deals are struck



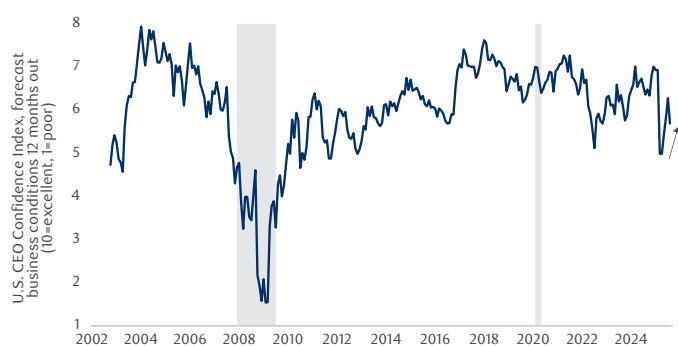
Note: As of 09/02/2025. Shaded area represents U.S. recession. Index based on searches in economic, research and government related topics in Bloomberg News and First Word feeds. Source: Bloomberg, Macrobond, RBC GAM

Exhibit 5: Dallas Fed Weekly Economic Index has wobbled but still decent



Note: For the week ended 08/30/2025. The WEI is an index of ten indicators of real economic activity, scaled to align with the four-quarter GDP growth rate. Source: Federal Reserve Bank of Dallas, Macrobond, RBC GAM

Exhibit 6: U.S. CEO confidence rebounded partially but still low



Note: As of Aug 2025. Shaded area represents recession. Source: Chief Executive Group, Bloomberg, RBC GAM

This surprising economic resilience is no doubt partially a function of the lags associated with tariffs, and so we still budget for a period of markedly sluggish economic growth ahead. But it is undeniable that the tariffs appear to be having a milder overall effect on growth than theory would suggest.

Tax cuts as offset to tariffs

The White House has been busy beyond the tariff realm. The One Big Beautiful Bill Act was passed by Congress over the summer, lowering tax rates and permitting accelerated depreciation on capital expenditures. To fund it, spending was cut on Medicaid and food stamps, and tariff revenue should come close to filling the rest of the fiscal hole created by the law.

Combined with deregulation efforts, the growth outlook is somewhat improved. We continue to believe the U.S. economy will expand more slowly than normal in 2025 as tariffs (and reduced immigration) dominate these new tax cuts and deregulation. But 2026 should bring something of an economic acceleration as the tariff pain begins to fade and the positive fiscal impulse builds (Exhibit 7). Easier monetary policy, which will be discussed later, should also lend a hand to growth.

U.S. exceptionalism diminished but not gone

The U.S. has long enjoyed a superior economic performance relative to its peers, alongside special advantages in the form of lower funding costs, higher stock-market valuations and the role of the dollar as the world's reserve currency.

A major new narrative in 2025 has been that U.S. economic exceptionalism is diminishing. There are several forces supporting this thesis:

- The U.S. GDP growth advantage in the years after the pandemic was unusually large and is unlikely to be repeated in the immediate future.
- Some U.S. public-policy decisions could materially dampen U.S. economic growth and/or the attractiveness of the U.S. market, including tariffs, lower immigration and the potential politicization of the U.S. Federal Reserve (Fed).
- RBC GAM's fiscal health index shows that the U.S. is in the most challenging fiscal position among major nations.

Exhibit 7: White House policy expectations

Policy	2025 economy	2026 economy	Inflation (+ is higher)
Overall effect	--	+	++
Tariffs	---	-	+++
Immigration	--	--	neutral
Regulations	+	+	neutral
Taxes / Fiscal	+	++	+
Animal spirits	+	+	+

Note: As at 09/04/2025. +/- indicate positive/negative impact on variable at top of column. Source: RBC GAM

- Political and cultural polarization in the U.S. could dim economic growth.
- The rest of the world has lost much of its trust in the U.S.
- China's economic and military ascent means that the U.S. now has a rival for global leadership.
- Other developed countries are refocusing on their economies after a long slumber and may manage to narrow some of the growth gap via their own fiscal stimulus, military spending and productivity-enhancing initiatives.
- The U.S. dollar is substantially overvalued and may depreciate in the years ahead.
- The U.S. stock market is more expensive than other markets.

Given all of this, our forecasts imagine a materially diminished U.S. growth advantage in the years ahead. The dollar may also play an incrementally smaller role in the world, and the U.S. term premium, defined as the extra yield demanded by investors to hold longer-term bonds, may continue to rise (Exhibit 8).

However, the operative word is that the U.S. growth advantage is merely "diminished." We still expect the U.S. economy to outgrow most of its peers on a trend basis, just by less than before.

U.S. tax cuts represent a short-term positive impulse and provide a partial offset to tariff headwinds. The U.S. continues to cultivate and host a remarkable fraction of the world's largest and most innovative companies, and the country maintains a substantial lead in the critical technologies that are likely to drive growth over the next several decades (Exhibit 9). In particular, we believe that U.S.-led breakthroughs in artificial intelligence are significant, and that productivity should benefit in the decades ahead. The U.S. also remains a deep and liquid financial market, and thus an attractive place for international investors.

In summation, the U.S. market may merit a lower asset allocation than in recent years, but hardly abandonment.

Exhibit 8: U.S. term premium rising



Note: As of 09/02/2025. Source: Federal Reserve Bank of New York, Macrobond, RBC GAM

Exhibit 9: Critical Technologies Index

Country	Total	AI	Chips	Biotech	Space	Quantum
U.S.	84	91	75	86	92	84
China	66	58	63	84	56	76
Europe	41	45	24	56	40	74
Japan	24	13	30	24	22	40
South Korea	20	14	27	17	17	23
UK	19	19	11	23	24	48
Germany	19	19	11	21	24	44
Taiwan	16	8	29	9	10	12
India	15	15	7	20	24	26
France	15	18	5	15	25	40
Russia	13	8	3	14	42	24
Canada	13	14	4	18	13	41
Australia	11	11	3	19	18	22
Italy	11	11	5	13	21	19
Netherlands	11	10	6	11	17	30
Spain	10	11	4	15	15	18
Singapore	9	11	7	8	7	17
Brazil	8	7	5	16	10	5
Israel	8	8	3	10	14	20
UAE	6	9	3	7	6	8
New Zealand	6	7	0.5	10	10	3
Turkey	5	7	0.5	9	10	5
Saudi Arabia	5	9	0.5	6	8	4
Iran	5	4	1	6	11	6
Ukraine	3	4	0.5	6	5	0.5
North Korea	1	0	0.5	0	5	0.5

Note: Scores range from 0 to 100, with 100 representing the most advanced in the metric assessed. Based on data from 2023 or, where unavailable, the most recent publicly available data. Europe includes UK, France, Germany, Italy, Netherlands, and Spain. Source: Harvard Kennedy School - Belfer Center for Science and International Affairs, RBC GAM

Transitioning to a power-based global order

For the past two decades, the world has been transitioning from a hegemonic order in which the U.S. was the undisputed global leader to a more multipolar era in which China also vies for influence.

Adding to this, the world is now also transitioning from a rules-based order to a power-based order.

Today, international institutions such as the World Trade Organization have been sidelined, and longstanding international trade agreements have been effectively discarded. President Trump talks openly about seizing territories of other sovereign nations, and Xi's China has been flexing the country's military muscle vis-a-vis its Pacific neighbours. Russia invaded Ukraine, and Europe is hurriedly rearming.

It is now a power-based order: one in which big, strong countries can bully weaker countries. It is thus especially advantageous to be a big, strong country at a time like this, though in the long run the erosion of international rules and norms should hurt all parties to varying degrees.

In this environment, military spending invariably rises, and one would expect incrementally lower-than-normal economic growth, higher-than-normal inflation and larger-than-normal risk premiums.

As the world hives off into different spheres of influence – most prominently, Team USA versus Team China – we have built a scorecard to assess which countries are most aligned with which power, and which find themselves straddling the fence (Exhibit 10).

A key takeaway is that nearly every country has significant alignment with both the U.S. and China, whether based on economic, investment, cultural or policy interests. There are more countries with close ties to the U.S. than to China, with Canada, Israel, Mexico and the UK at the top of the list. Broadly, the U.S. list skews toward North American and European countries and includes a significant fraction of South America. Conversely, Team China remains mainly Asian, though with some African nations. It is not a static situation, and in the current environment, China seems likely to make inroads on U.S. influence.

Exhibit 10: Sphere of influence scorecard

Country	Sphere tilt (US +, CN -)	U.S. score	China score
Canada	2.1	4.5	2.3
Israel	2.0	3.8	1.9
Mexico	1.5	4.0	2.5
UK	1.4	3.8	2.4
Norway	1.1	3.1	2.1
Italy	0.8	3.1	2.3
France	0.8	3.2	2.5
Sweden	0.7	3.3	2.5
Netherlands	0.6	3.7	3.1
Spain	0.6	2.9	2.3
Germany	0.5	3.4	2.9
Brazil	0.5	3.0	2.5
Switzerland	0.3	3.5	3.2
Australia	0.2	3.5	3.2
South Korea	0.1	3.9	3.8
Japan	0.0	3.5	3.4
India	0.0	2.5	2.5
Turkey	-0.1	2.2	2.3
Ukraine	-0.2	2.3	2.4
Philippines	-0.3	2.8	3.0
Singapore	-0.3	3.9	4.2
South Africa	-0.3	2.6	2.9
Thailand	-0.7	3.2	3.9
Malaysia	-1.0	3.0	4.1
Vietnam	-1.0	2.7	3.8
Russia	-1.4	1.6	3.0
Hong Kong	-1.4	3.2	4.6
Indonesia	-1.5	2.1	3.6
Pakistan	-1.9	1.6	3.5



Note: As at 07/04/2025. Alignment scores range from 1 (least alignment) to 5 (greatest alignment). Scores calculated using 15 variables that span trade, investment, people and policy. Tilt represents the difference between the U.S. score and China score. Source: RBC GAM

“It is now a power-based order: one in which big, strong countries can bully weaker countries.”

Certainly, every country will do its best to retain access to both major markets. The distinct risk, however, is that it will become more difficult to interact freely with both countries as this multipolar and power-based era progresses.

Slight forecast upgrades

Our economic forecasts have been refreshed from a quarter ago to reflect global developments. On average, the growth outlook has been slightly upgraded, and we are at or above the consensus outlook for the current year.

At the global level, we now budget for visible tariff damage in the third and fourth quarters of 2025, followed by still below-trend growth in the first quarter of 2026. But from that point, national economies are broadly expected to accelerate as tariff effects are absorbed and the fiscal impulse improves for several countries. This acceleration is admittedly obscured by a weak handoff at the end of 2025 into 2026, but at the quarterly level it is nevertheless very real (Exhibit 11).

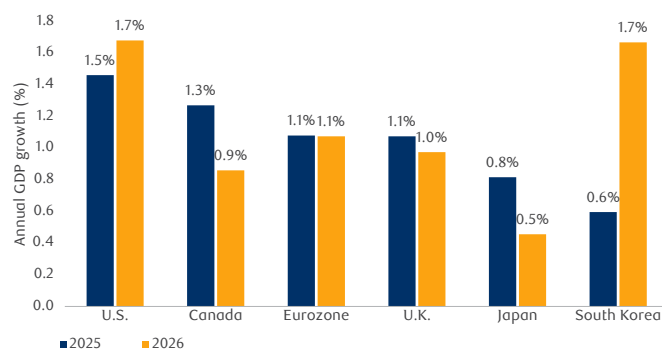
Lower oil prices are helpful for global growth, as are lower short-term interest rates, and there is some scope for further monetary easing over the coming year in several countries.

For the U.S., the relative resilience of the economy even with new tariffs has been a key source of new information, and has ultimately motivated a modest upgrade to the 2025 outlook for the country. Continued enthusiasm for capital expenditures in the U.S. – spurred by the race for supremacy in artificial intelligence and new accelerated depreciation tax credits – are also helping the economy.

This is not to say that economic forces are unperturbed by today's trade barriers. The Citi economic data change index for the U.S. has decelerated somewhat (Exhibit 12). The rate of U.S. hiring has also slowed sharply, and even though much of this reflects depressed population growth as opposed to softer demand, the net effect is the same – a more sluggish economy. Despite this, a recession is fairly unlikely over the next year (Exhibit 13). We budget for U.S. GDP growth of 1.5% in 2025 and 1.7% in 2026.

The eurozone appears capable of growing at its fastest pace since 2022 in both 2025 and 2026 – at 1.1% per year. We believe several tailwinds can dominate in Europe, offsetting tariffs, a strengthening euro and pockets of bond-market discontent.

Exhibit 11: RBC GAM GDP forecast for developed markets



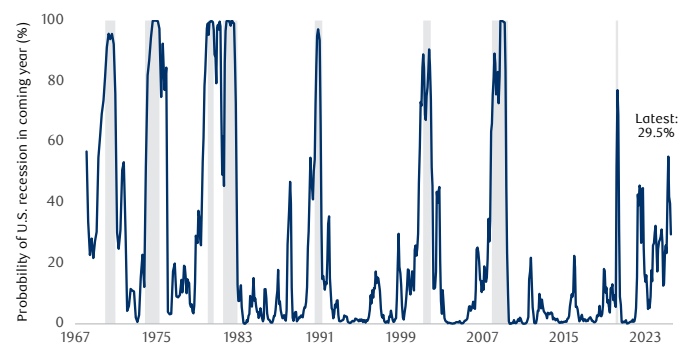
Note: As of 08/29/2025. Source: RBC GAM

Exhibit 12: Modest U.S. economic deterioration



Note: As of 09/05/2025. Source: Citigroup, Bloomberg, RBC GAM

Exhibit 13: The probability of U.S. recession within a year has declined but still higher than normal



Note: As of Jul 2025. Based on RBC GAM model which includes financial and macro factors. Shaded area represents recession. Source: Haver Analytics, RBC GAM

These positives include rate cuts by the European Central Bank (ECB), economic reforms and fiscal spending that in part covers military upgrades. A key question is the extent to which the European Union follows through on proposed productivity-enhancing reforms. A major effort could unlock significant growth, but we assume only tentative actions.

The UK remains in a somewhat more challenging economic position, motivating a rare forecast downgrade this quarter to 1.1% GDP growth in 2025, and 1.0% in 2026. Political and fiscal challenges are a threat, and fiscal austerity is likely. Inflation remains stickier in the UK than most peer jurisdictions.

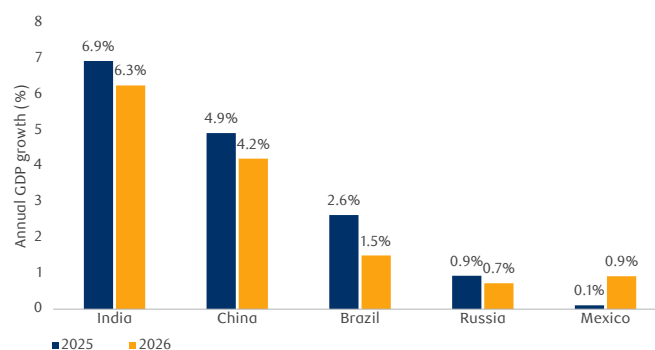
Japan is now expected to manage 0.8% GDP growth in 2025 and 0.5% in 2026 – not bad by Japanese standards, but also not inspiring. Economic indicators look broadly fine, but tariff damage to the country is not trivial.

Our emerging-market growth forecasts are only minimally changed since last quarter, with India set to shake off a significant tariff blow to retain its growth-rate lead among large economies, and China is on track to maintain its recent 4%-5% annual pace of growth (Exhibit 14).

Inflation worries ebb

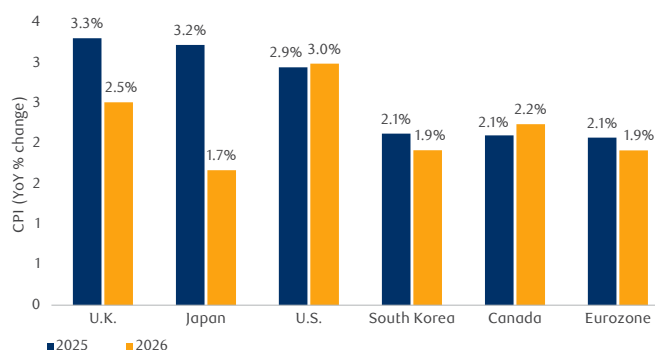
Tariffs are beginning to generate additional inflation, and further price increases are likely. On the whole, however, the pain may be somewhat less than previously feared (Exhibit 15).

Exhibit 14: RBC GAM GDP forecast for emerging markets



Note: As of 08/29/2025. Source: RBC GAM

Exhibit 15: RBC GAM CPI forecast for developed markets



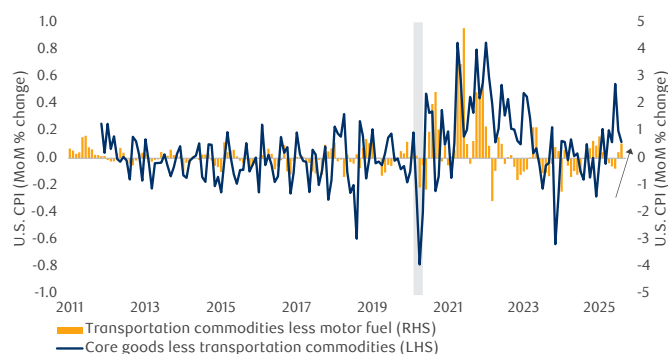
Note: As of 08/29/2025. Source: RBC GAM



Where is the tariff-based inflation becoming visible? Most prominently, the cost of core U.S. consumer goods has recently accelerated, reflecting the fact that most tariffs focus on this subset of products (Exhibit 16). We anticipate further price increases, for two reasons. First, our models indicate that U.S. prices should rise by approximately 1.1% more than otherwise due to tariffs, and only a few tenths of that have so far come through. Second, there is evidence in the real-time data that additional price pressures are indeed arriving (Exhibit 17).

That said, there are several ways that the net effect on inflation may be somewhat smaller than imagined a quarter ago, and certainly than what was initially expected when the tariff onslaught began in early 2025.

Exhibit 16: U.S. core goods inflation has risen sharply

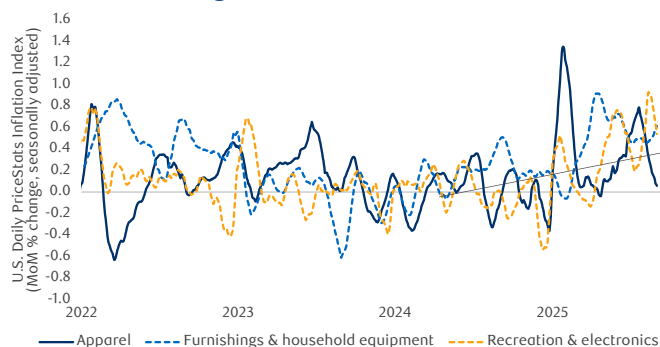


Note: As of August 2025. Shaded area represents recession. Source: BLS, Macrobond, RBC GAM

One reason for this is that there has been significant tariff burden-sharing so far. In particular, foreign manufacturers have not fully passed through their cost increases. To a much lesser extent, some American companies – prominently, carmakers – have absorbed some of their higher input costs rather than passing them on to their customers. Theory would suggest that a rising fraction of the total will eventually accrue to the consumer, but so far the impact has been less all-encompassing than with the tariffs during the first Trump term.

Second, it is important to appreciate that the inflation threat from tariffs does not appear to be on the order of the 2021-2023 inflation shock that at one point breached 9%. The debate now is whether inflation rises temporarily into the mid-3% range. Reflecting this, while more businesses now plan to raise prices, it is not on the order of the prior shock

Exhibit 17: Real-time inflation data show price spikes in tariff-affected goods



Note: As of 09/01/2025. Source: State Street Global Markets Research, RBC GAM



(Exhibit 18). Similarly, the scale of tariff-linked supply-chain problems is far smaller today than it was during the pandemic (Exhibit 19). All of this reduces the risk that inflation scarring occurs, and thus that high inflation is perpetuated.

Third, and entirely fortuitously, there are currently two helpful disinflationary influences in the U.S. that should partially offset tariffs. One is shelter inflation, which has sharply decelerated as the housing market softened in recent years, and should remain a downward force on inflation for the foreseeable future given lags built into the CPI component. The other helpful force is that oil prices have declined over the past year, lowering the cost of gasoline and jet fuel, among other energy needs, for consumers (Exhibit 20). OPEC's new focus on maximizing oil-market share rather than profits, paired with a structural moderation in demand from China and the U.S. are driving this trend.

Fourth, inflation concerns have also declined globally. The main reason is that tariffs, while growth-negative for instigator and target alike, are not inflationary for targeted countries. The countries being hit by U.S. tariffs have, with the exception of China, largely opted not to retaliate, and so should not expect significantly higher prices on their shores. Another common inflation channel associated with tariffs is that a country being targeted by tariffs usually experiences a weaker exchange rate, which can be inflationary. But it is the U.S. dollar that has been weakening since the higher tariffs were imposed, neutralizing this effect.

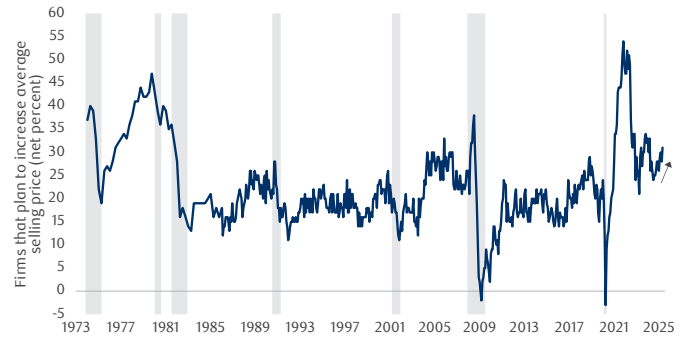
Help from policymakers

Policymakers are set to support their economies with a mix of monetary and fiscal stimulus.

The current central-bank rate-cutting cycle has been an unusually sporadic and extended one (Exhibit 21), with the ECB now potentially nearing the finish line and the Bank of England seemingly unable to ease much further given stubborn inflation.

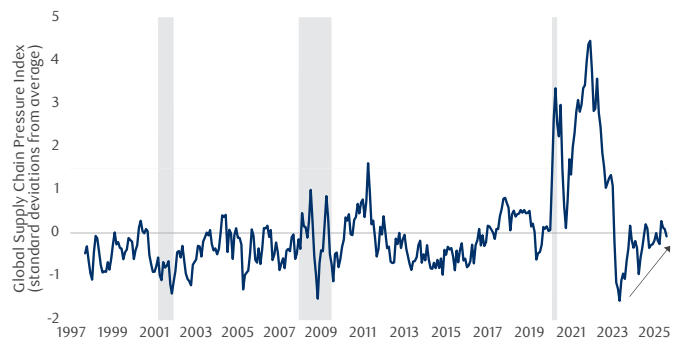
In the U.S. and to a lesser extent Canada, additional monetary stimulus is likely in the year ahead. It remains a tricky proposition as policymakers balance inflation concerns with the prospect of below-target growth. But the Fed has now signalled that it is less concerned by temporary inflation forces and increasingly focused on a weakening U.S. labour market.

Exhibit 18: Fraction of U.S. businesses planning to raise prices inching higher



Note: As of Jul 2025. Shaded area represents recession. Source: NFIB Small Business Economic Survey, Macrobond, RBC GAM

Exhibit 19: Global supply chain pressure at average level



Note: As of Aug 2025. Shaded area represents U.S. recession. Source: Gianluca Benigno, Julian di Giovanni, Jan J. J. Groen, and Adam I. Noble, "A New Barometer of Global Supply Chain Pressures," Federal Reserve Bank of New York Liberty Street Economics; Macrobond, RBC GAM

Exhibit 20: Crude oil prices fall as OPEC+ raises production



Note: As of 09/04/2025. Source: Macrobond, RBC GAM

A substantial concern for the U.S. is the potential politicization of the country's central bank. The White House has advocated for a sharp reduction of up to 300 basis points in the fed funds rate and appears on track to secure a majority of the votes among Fed governors by next spring. Such a reformulation would theoretically enable the board to replace the district Fed presidents who constitute the remainder of the voters determining the path of American monetary policy. This is to say: monetary policy could become politicized.

For the moment, we merely assume that U.S. monetary policy will operate at the dovish end of the appropriate policy range, in contrast to its current position in the middle to upper end of that range. This orientation amounts to additional rate cutting over the coming year, and with it the implication of lower short-term rates, faster economic growth and inflation that doesn't return as quickly to the Fed's 2% target.

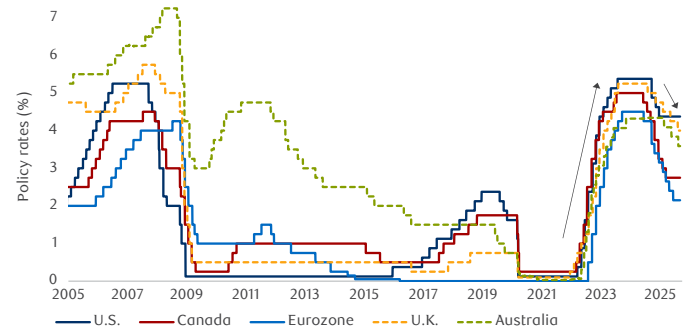
On fiscal policy, most countries are proposing fairly expansive settings, with growth set to benefit in 2026 in particular.

Of course, fiscal support is not free. The dark underbelly of fiscal stimulus is that budget deficits and debt loads will grow – or at least fail to shrink – and many countries already have large deficits and high public debt loads. Bond investors have recently expressed discontent about the fiscal position of the UK and France, but it is in fact the U.S. that requires the largest fiscal adjustment to stabilize the country's debt-to-GDP ratio. Our fiscal health index also puts Belgium and Brazil in the top five most fiscally challenged nations. The UK and France are at least attempting to get their fiscal house into order. The U.S. isn't, and for now enjoys greater leeway than the others given its reserve-currency status.

Resilient China

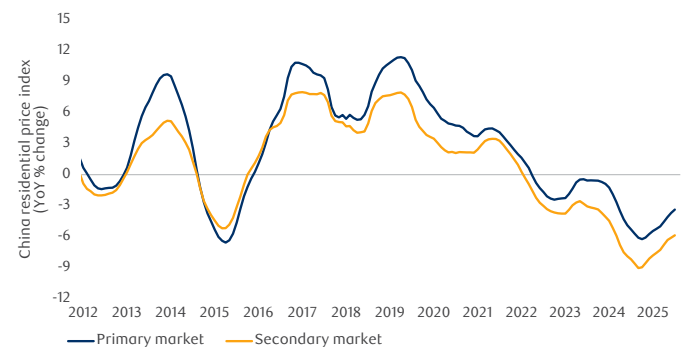
China is hardly without challenges given a significant tariff levy from the U.S., high debt levels and a still-weak housing market (Exhibit 22). The government is also engaged in a campaign to reduce excess manufacturing capacity in certain sectors. As such, China's economy isn't growing as fast as it once did (Exhibit 23).

Exhibit 21: Global central banks easing cautiously



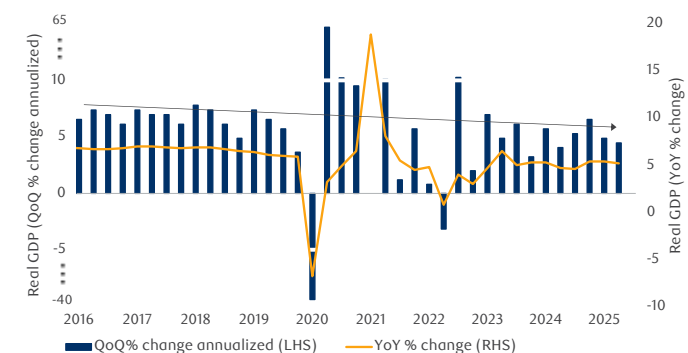
Note: As of 09/04/2025. Source: Macrobond, RBC GAM

Exhibit 22: Chinese home prices falling at slower rate



Note: As of Jul 2025. Source: CNBS, Macrobond, RBC GAM

Exhibit 23: Chinese economic growth has slowed in 2025



Note: As of Q2 2025. Source: China National Bureau of Statistics, Macrobond, RBC GAM

Still, even with these headwinds, we remain somewhat optimistic about China's economic future. China's credit impulse is favourable, even if it is significantly driven by government policy rather than organic forces (Exhibit 24). There remains room for further monetary and fiscal stimulus to sustain growth, especially given the country's low inflation rate.

The U.S. tariffs, while consequential, shouldn't hurt China too badly given its large domestic market and wide range of trading partners.

China is proving beyond dispute that it is capable of major innovation, as demonstrated by its rapid progress in areas such as electric cars, batteries, solar panels, drones and artificial intelligence. To bolster innovation and dynamism, the government has loosened restrictions on the private sector.

All told, we forecast Chinese GDP growth of 4.9% for 2025 and 4.2% for 2026. These numbers assume minimal workforce growth – given the country's shrinking population – but significant productivity gains.

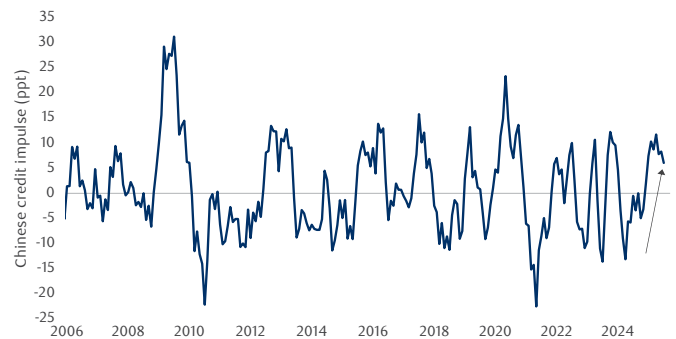
The Canadian question mark

Tariffs continue to figure centrally for Canada given the country's close trading relationship with the U.S. But the open secret is that the Canadian economy has been dealt only a moderate blow by the tariffs announced so far because most goods are exempted from the official 35% tariff rate imposed on Canada because they are USMCA-compliant. In turn, investors and consumers are much less pessimistic than they were a few months ago (Exhibit 25).

The limited impact of tariffs doesn't diminish the very real pain inflicted on areas that are directly affected, including the steel, aluminum, copper and auto industries. Indeed, the Canadian economy shrank in the second quarter of 2025 and employment is trending lower (Exhibit 26). The Canadian economy is increasingly likely to stitch together a few consecutive quarters of declining output, though not a deep recession.

The major forward-looking question is what happens to the USMCA trade deal when it is scheduled to be renewed in 2026. If the U.S. tears up the deal, the vast majority of Canadian goods would suddenly face enormous tariffs, and it would be a big economic problem.

Exhibit 24: Chinese credit impulse turned positive on stimulus



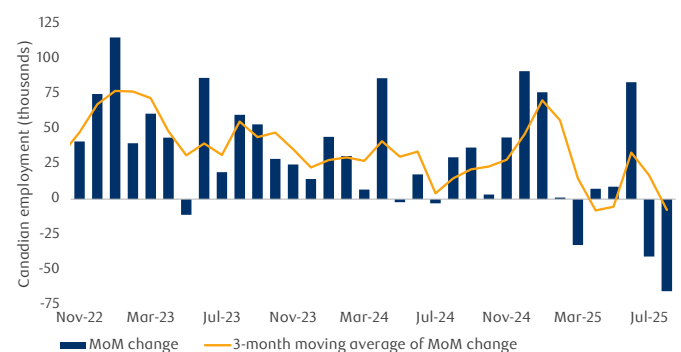
Note: As of Jul 2025. Measured as year-over-year change of 3-month rolling average of sum of total social financing (excluding equities) and local government bond issuance as % of GDP. Source: Haver Analytics, RBC GAM

Exhibit 25: Canadian small business confidence on future conditions rebounds



Note: As of Aug 2025. Source: CFIB Business Barometer, Macrobond, RBC GAM

Exhibit 26: Canadian employment shows tariff damage



Note: As of Aug 2025. Source: Statistics Canada, Macrobond, RBC GAM

Fortunately, there is good reason to believe that the worst-case scenario will not unfold: our view is that the U.S. would have long since torn up the USMCA trade agreement if that was the plan all along. We are therefore working with the assumption that the USMCA will still exist a year from now, with the risk that it is watered down in favour of the U.S.

Canada's population growth has fallen drastically (Exhibit 27), reflecting a less friendly approach to immigration. The decrease in immigrants will tend to lower Canada's economic growth rate. Population growth should resume within the next few years, but at a much more tame pace.

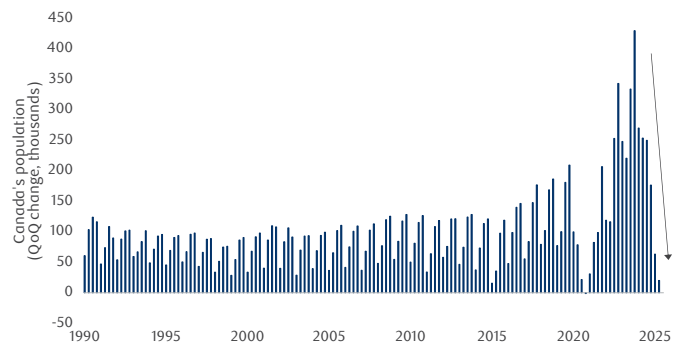
Canada's new government is attempting to use fiscal policy to boost economic growth. The plan is for a significant increase in fiscal outlays, creating a positive growth impulse. The business sector has so far been enthused by initial steps to engage in additional infrastructure investment and to permit further private-sector investment in the resource sectors. Canada has sufficient fiscal flexibility to afford these outlays without undue distress.

Bottom line

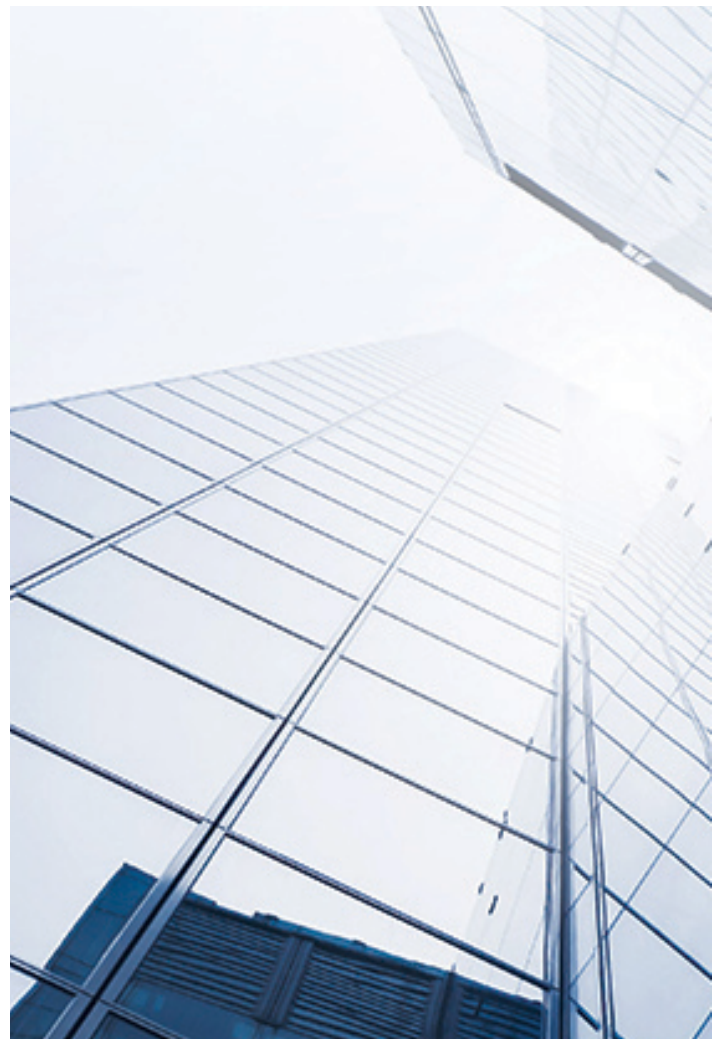
The bottom line is that tariffs continue to rise and remain central to the outlook but are no longer the only game in town. Economies are proving more resilient than feared, and fiscal actions are beginning to support growth, not just in the U.S. but in a number of countries. Accordingly, a recession is unlikely, though a period of subdued growth remains probable.

In this environment, it is reasonable to tilt an investment portfolio incrementally more toward equities, and to slightly reduce fixed-income holdings. The U.S. remains an important market for investors, but equity valuation and currency valuation concerns paired with diminishing U.S. exceptionalism argue for rising exposure to other markets.

Exhibit 27: Canada's population growth slowing sharply



Note: As of 04/01/2025. Source: Statistics Canada, Macrobond, RBC GAM





Market outlook

Equity bull market climbs to new heights



Eric Savoie, MBA, CFA, CMT
Senior Investment Strategist
RBC Global Asset Management Inc.



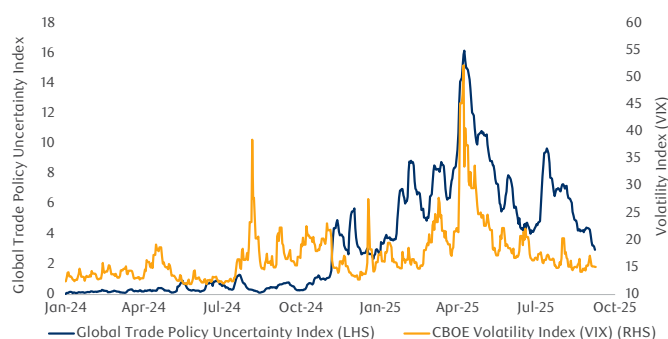
Daniel E. Chornous, CFA
Global Chief Investment Officer
RBC Global Asset Management Inc.

U.S. policy uncertainty caused significant volatility in asset prices earlier in the year, as investors feared the damage that large-scale tariffs could cause to economic and corporate-profit growth. But progress on trade has been made, with deals being struck between major economies, and the uncertainty has diminished even as tariffs remain in place (Exhibit 1). Investors are moving their focus away from trade policy and instead choosing to recognize the strength in corporate profits, benefits of artificial intelligence and prospect of a resumption in interest-rate cuts by the U.S. Federal Reserve (Fed).

In this environment, stocks extended their gains and most major equity markets reached record levels in the past quarter (Exhibit 2). Importantly, the rally has broadened beyond a small subset of U.S. technology companies to include a wide range of sectors and geographies, with non-U.S. regions outperforming so far this year. While there is

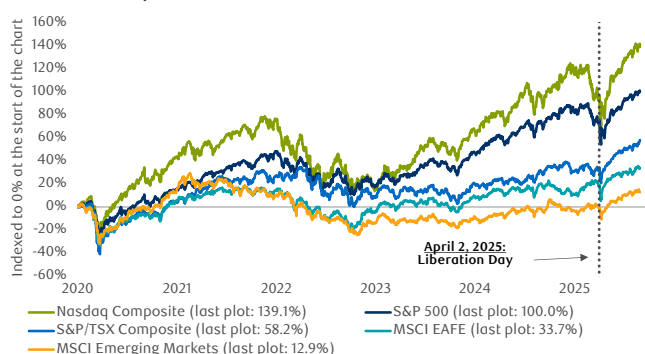
concern that parts of the market are getting expensive, we would point out that, aside from U.S. mega-cap technology, stocks are reasonably or even attractively priced, and that further gains remain possible if economies and corporate profits can continue to grow as we expect.

Exhibit 1: Global Trade Policy Uncertainty Index



NNote: As of 09/08/2025. Global Trade Policy Uncertainty Index based on searches in economic, research and government related topics in Bloomberg News and First Word feeds. Source: Bloomberg, Macrobond, RBC GAM

Exhibit 2: Major equity-market indices
Cumulative price returns indices in USD



Note: As of August 29, 2025. Price returns computed in USD. Source: Bloomberg, RBC GAM

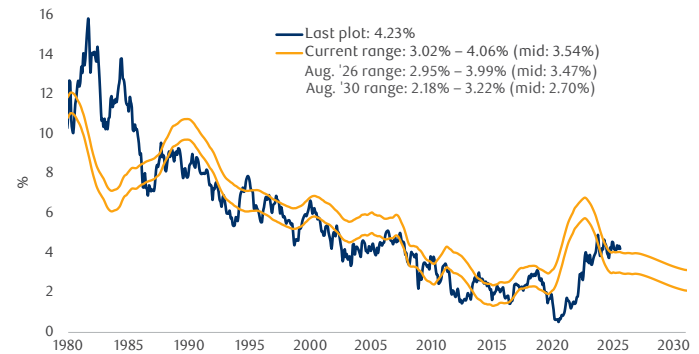
Fixed-income yields have fluctuated in a relatively narrow range as investors weighed the impact of fiscal challenges and inflation concerns against a backdrop of subdued economic growth, weaker labour-market conditions and the potential for interest-rate cuts. While softer job gains and a dovish Fed have weighed on yields, concerns around fiscal health and highly indebted countries have limited declines and at times caused yields to rise. In our view, higher yields ultimately boost the odds that fixed-income investors will enjoy decent returns. We believe bonds are attractively priced, and valuation risk is modest, particularly given that a decline in U.S. short-term interest rates is imminent (Exhibit 3).

Balancing the risks and opportunities, our base case is that the economy will continue to grow at a modest pace, allowing the Fed to resume rate cuts. In this environment, corporate-profit growth should be sufficient to support higher stock prices, although we recognize that lofty U.S. equity valuations may limit the potential for gains in that market. Overall, stocks offer superior return potential versus fixed income. As a result, we added one percentage point to stocks this quarter, sourced from bonds, directing the increased exposure to regions outside of North America. For a balanced global investor, our current recommended asset mix is 62.0% equities (strategic “neutral”: 60.0%), 37.0% bonds (strategic “neutral”: 38.0%) and 1.0% cash.

U.S. Fed signals rate cuts are imminent

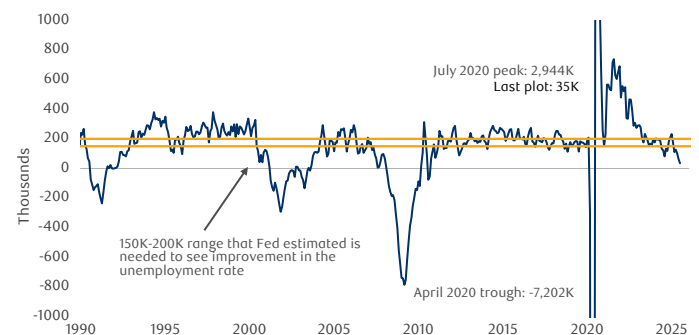
The Fed may soon be ready to resume interest-rate cuts even if inflation remains slightly above target. In late August, Fed Chair Jerome Powell emphasized during a speech in Jackson Hole, Wyoming, that the Fed would place greater weight on the weakening labour market than above-target inflation. Job gains have been slowing, particularly in recent months (Exhibit 4) and, while inflation is still above the 2% target, it is not meaningfully so (Exhibit 5). This situation will likely enable Powell to look past slightly higher near-term inflation and provide the latitude to loosen monetary conditions in support of employment and the broader economy.

Exhibit 3: U.S. 10-year T-bond yield Equilibrium range



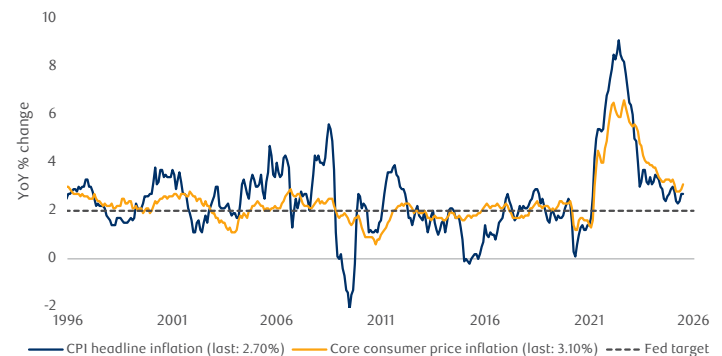
Note: As of August 31, 2025. Source: RBC GAM

Exhibit 4: United States Monthly change in non-farm employment (3mma)



Note: As of July 2025. Source: Bureau of Labor Statistics

Exhibit 5: U.S. inflation measures



Note: As of July 31, 2025. Source: Bloomberg, RBC GAM

Investors took Powell's comments in Wyoming as an all-clear for rate cuts to begin in September. Investors are pricing in with near-certainty a rate cut of at least 25 basis points at the September 17 meeting of the Fed's rate-setting committee, with further easing to follow in late 2025 and into 2026 (Exhibit 6). As of August, the market was anticipating between 100 and 125 basis points of cuts over the year ahead. These market-based projections align well with our own thinking in that we expect four rate cuts over the next year.

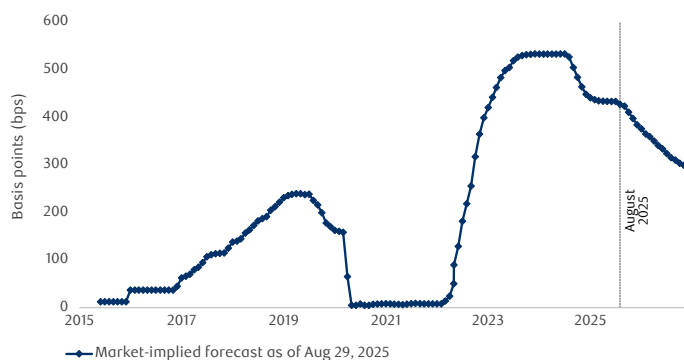
Road maps: a look at past easing cycles

Past periods of monetary easing may serve as a useful guide for how markets respond to a resumption of Fed easing. Exhibits 7 to 9 plot the historical experience of short-term

interest rates, bond yields and stock prices leading into and following the first cut in any given rate-cutting cycle. The data captures 16 easing cycles since 1950, and T = 0 on the chart indicates the date of the first reduction. The current cycle began in September 2024. It's worth noting that should the Fed resume easing, we would consider the next rate cut an extension of the prior easing cycle rather than the beginning of a new one since no rate hikes have occurred in the interim.

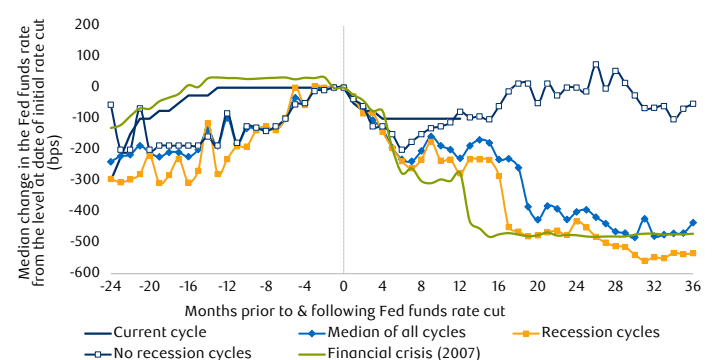
We've grouped the data on the charts based on whether the economy managed a soft landing or entered recession, a distinction that is important because doing so reveals several noteworthy implications for capital markets. In easing instances where the economy entered recession, rate

Exhibit 6: Implied fed funds rate
12-months futures contracts



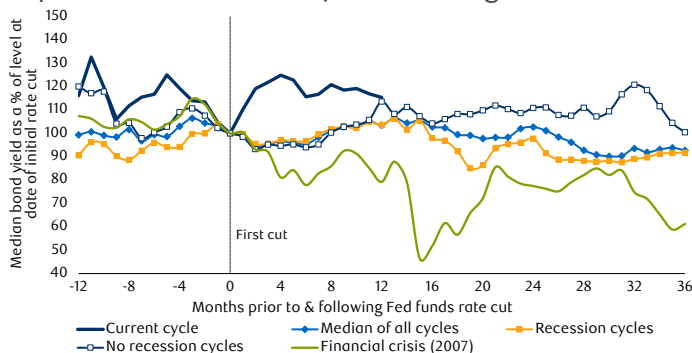
Source: Bloomberg, U.S. Federal Reserve, RBC GAM

Exhibit 7: Path of the fed funds rate
Implications for current cycle, following first rate cut



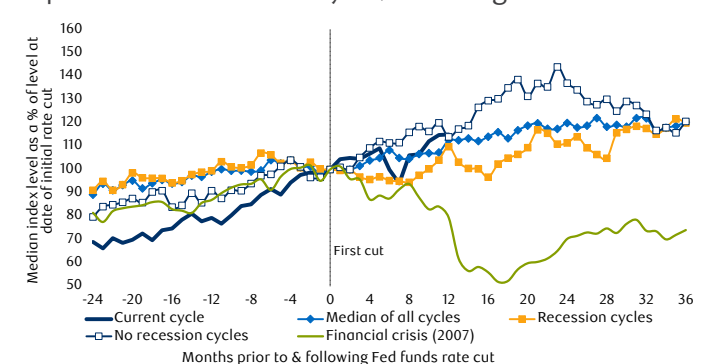
Note: As of August 22, 2025. Source: RBC GAM

Exhibit 8: U.S. 10-year bond yield and rate cuts
Implications for current cycle, following first rate cut



Note: As of August 22, 2025. Source: RBC GAM

Exhibit 9: S&P 500 and rate cuts
Implications for current cycle, following first rate cut



Note: As of August 22, 2025. Source: RBC GAM

cuts were larger in magnitude, bond yields fell and stocks struggled for an extended period. However, in easing cycles where the economy avoids recession and continues to grow (i.e. a soft landing), rate cuts were less pronounced, bond yields moved mostly sideways and stocks continued to rise after a brief period of volatility. Should our base case scenario of modest economic growth and gradual easing of monetary policy play out, stocks will likely outperform.

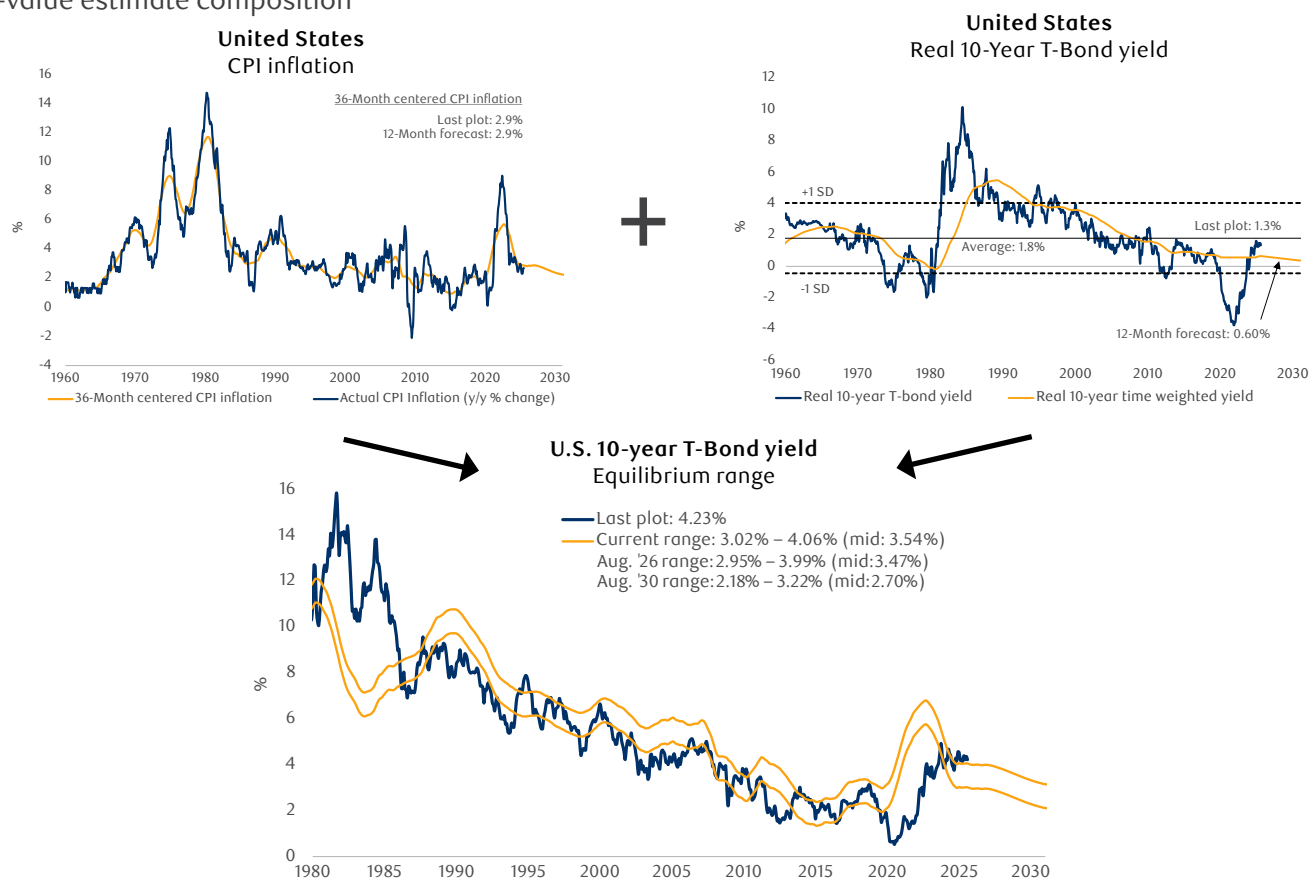
Sovereign bonds offer decent return potential, with only modest valuation risk

As long as inflation does not return in a big way, our model for the U.S. 10-year Treasury bond suggests investors can earn decent returns with relatively low valuation risk. Exhibit 10 plots the components of our model, which is made up of

an inflation premium and a real, or after-inflation, interest rate. The inflation portion reflects the massive spike from 2021 to 2023, when consumer prices surged due to pandemic-related supply-chain problems that have been resolved. Our model assumes relatively subdued inflation pressures over the years ahead and inflation settling only slightly above the Fed's 2.0% target. That said, most of the recent increase in the U.S. 10-year bond yield has been driven by rising real interest rates as investors grew increasingly concerned about heightened debt levels exacerbated by President Donald Trump's One Big Beautiful Bill, which promises to boost fiscal spending. The current real yield is situated near 1.3%, whereas our model suggests it should be closer to 0.6% to reflect aging populations, slowing longer-term economic growth and an increased preference for saving versus

Exhibit 10: U.S. 10-year bond yield

Fair-value estimate composition



Note: As of August 31, 2025. Source: RBC GAM

spending. If our model is right, the U.S. 10-year yield at 4.2% is attractive and situated above equilibrium. We can expect 10-year Treasury bonds to deliver coupon-like returns in the mid single digits over the year ahead, with minimal valuation risk. There is also the added possibility for capital gains if the economy were to stumble.

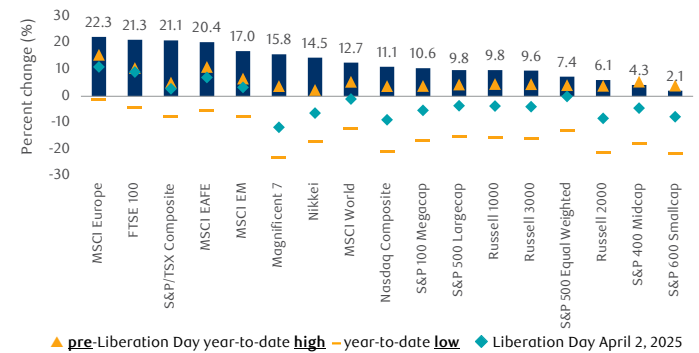
This view that fixed income is appealing holds true across most of the developed world, except for Japan. Bond yields are situated above equilibrium in all the major regions that we track (page 38). But even in Japan, our equilibrium model points to lower yields over the intermediate to longer term as inflation pressures subside. In addition to offering decent return potential, bonds at these higher yields provide critical ballast against equity-market volatility in the context of a balanced portfolio.

Stocks climb to new highs

Global equities have extended their impressive rebound from earlier this year, with most major markets rallying to record levels. The S&P 500 Index reached as high as 6502, up 30.5% from its April 8 low, bringing the year-to-date gain to 9.8% (Exhibit 11). While returns were initially led by mega-cap technology stocks amid excitement around artificial intelligence, the rally has ultimately featured broad participation from international stocks. The MSCI Europe rose 22% between January 1 of this year and August 31. In the same period, the S&P/TSX Composite Index gained 21%; the MSCI Emerging Markets climbed 17%; and the Japanese Nikkei rose 14%. All the returns were in U.S. dollars, and we should note that performance was bolstered by the weakening greenback.

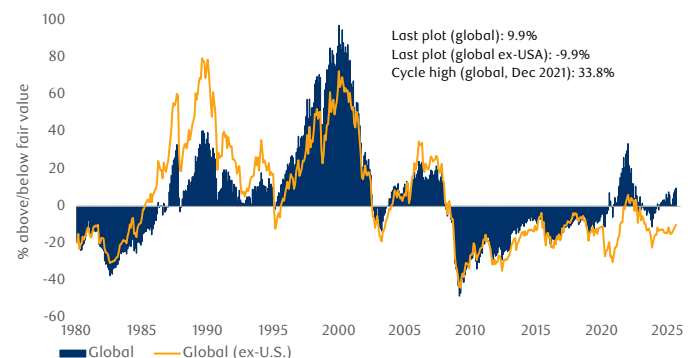
Outsized gains in stocks this year have boosted valuations, but in most cases they are not at levels deemed excessive. Our global stock-market composite suggests that stocks are in aggregate situated 10% above fair value, the highest since 2022 (Exhibit 12). Adjusted for GDP, however, there is meaningful variation in valuations. U.S. large-cap stocks, Canadian equities and Japanese equities are close to one standard deviation above our modelled estimates of fair value, but stocks in Europe, the UK and emerging markets are trading at relatively attractive distances below fair value (page 39). If we exclude the U.S., which is the biggest weighting and most expensive market, we get a different

Exhibit 11: Major indices' price change in USD 2005 year-to-date



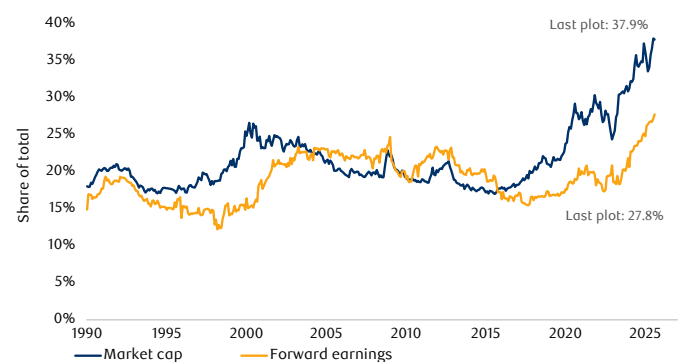
Note: As of August 29, 2025. Magnificent 7 includes Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta and Tesla. Source: Bloomberg, RBC GAM

Exhibit 12: Global stock-market composite
Equity-market indices relative to equilibrium



Note: As of August 31, 2025. Source: RBC GAM

Exhibit 13: Top 10 stocks as a share of S&P 500 Index



Note: As of Aug 31, 2025. Source: RBC GAM

perspective. As indicated by the yellow line on the chart, valuations of stock markets outside the U.S. have also been climbing but are still 10% below fair value. The upshot is that non-U.S. equity markets are relatively appealing should the global economy and corporate profits continue to grow.

S&P 500 concentration becomes even more acute

The unmatched performance of U.S. large-cap equities in recent years has led to understandable concern that a small group of stocks makes up a disproportionate share of the index. The top 10 stocks by market capitalization now account for a record 37.9% of the S&P 500's weighting, and this number has been rising for the past decade (Exhibit 13). These successful companies generate a significant share of index earnings at 27.8%, and the significant gap between index weightings and index profits indicates strong earnings growth will be required to maintain the valuations of these mega-cap technology stocks. Should these companies stumble, they would have a massive influence on the overall index.

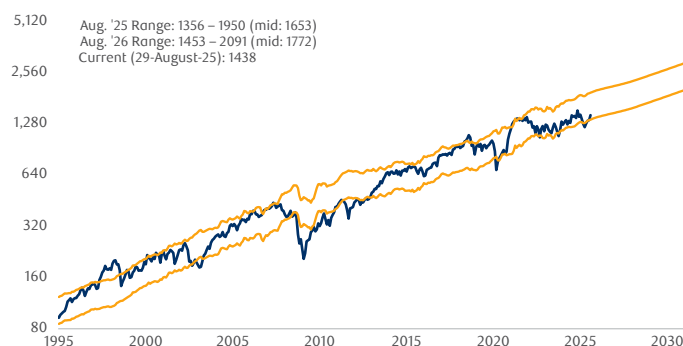
U.S. equities are reasonably priced outside of mega caps

While the market-cap-weighted version of the S&P 500 is expensive due to an elevated concentration of high-priced stocks, we don't view the entire U.S. stock market as being overly rich. Smaller capitalization stocks, for example, are less expensive and trading close to the lower boundary of their fair-value channel (Exhibit 14). But because of their modest influence on the capitalization-weighted S&P 500, small-cap stocks have little effect on overall S&P 500 valuations. To get a better idea of the average stock, we instead look at the S&P 500 Equal Weight Index, which assigns a 1/500 weight to each issue in the index regardless of its market capitalization. This version of the S&P 500 is trading near the midpoint of our fair-value channel (Exhibit 15). As a result, we conclude that the overvaluation in the S&P 500 is highly concentrated in the mega-cap names, while the broader market is more reasonably priced.

Earnings strengthen even with tariff headwinds

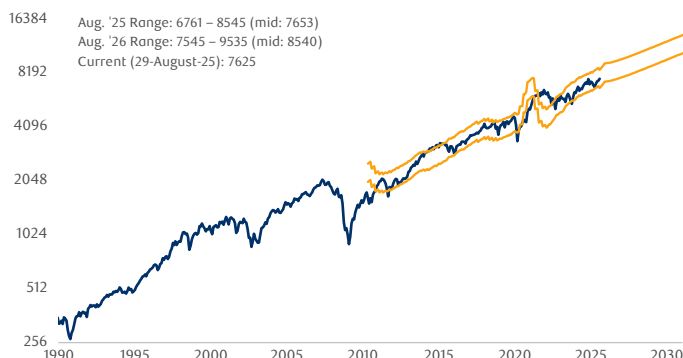
While valuations are important, the ultimate driver of stocks is earnings growth, and corporate-profit reports have been much better than expected. In the second calendar quarter, S&P 500 profits climbed 13.3% on a year-over-year basis versus estimates of just 5.8%, as four-fifths of companies beat estimates (Exhibit 16). Analysts had overestimated the

Exhibit 14: S&P 600 equilibrium
Normalized earnings & valuations



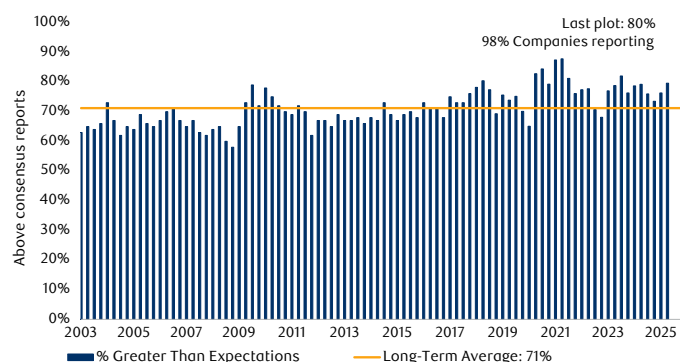
Source: RBC GAM

Exhibit 15: S&P 500 Equal Weighted equilibrium
Normalized earnings & valuations



Source: RBC GAM

Exhibit 16: S&P 500 companies reporting results above consensus forecasts

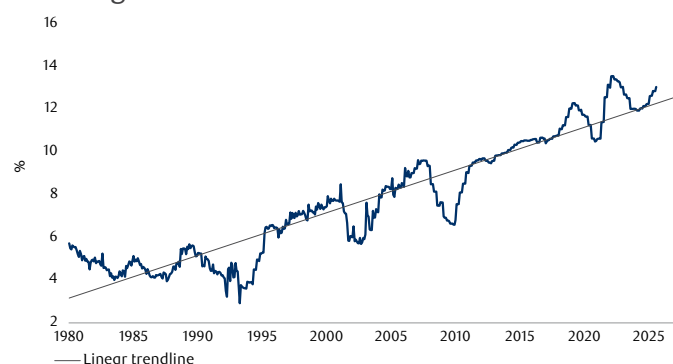


Note: As of August 29, 2025. Source: Refinitiv

negative impact of tariffs, thinking higher costs would lead to lower profit margins. But companies were able to either raise prices enough to offset the tariff impact or found ways to avoid it altogether. As a result, profit margins widened and are just shy of a new record (Exhibit 17). The ability of U.S. large-cap companies to deliver strong profit growth even in the face of a challenging macroeconomic backdrop has led analysts to raise their forecasts. The consensus estimate is now for healthy 10.5% earnings growth this year, followed by an even faster 13.7% clip in 2026 (Exhibit 18).

Exhibit 17: S&P 500 Index

Net margin



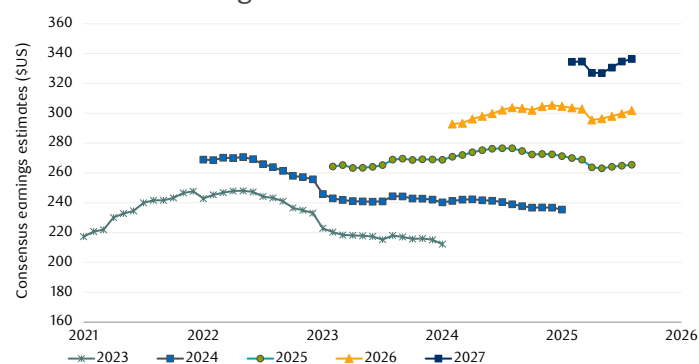
Note: As of August 2025. Source: Bloomberg, RBC GAM

Scenarios suggest limited upside for the S&P 500

Although investors are highly optimistic about the earnings outlook for the S&P 500, today's elevated starting point for valuations will make strong returns difficult to achieve. Exhibit 19 outlines a variety of scenarios for the S&P 500 based on combinations of price-to-earnings ratios (P/E) and earnings per share. At close to 6500 at the time of this writing, the S&P 500 has already traded through all but the most extreme positive scenario in the 2025 table. Looking ahead to 2026, stocks could still generate decent returns as long as the S&P 500 trades at least 1 full standard deviation above equilibrium – i.e. the level consistent with the current

Exhibit 18: S&P 500 Index

Consensus earnings estimates



Note: As of August 29, 2025. Source: Bloomberg, RBC GAM

Exhibit 19: Earnings estimates and alternative scenarios for valuations and outcomes for the S&P 500

		Consensus 2025	Total Return 2025			Consensus 2026	Annualized Total Return 2026
P/E		\$267.6		P/E		\$303.2	
+2 Standard Deviation	27.1	7248.1	12%	27.0		8174.9	20%
+1 Standard Deviation	22.5	6018.6	-7%	22.4		6788.2	5%
+0.5 Standard Deviation	20.2	5403.9	-16%	20.1		6094.8	-3%
Equilibrium	17.9	4789.1	-26%	17.8		5401.4	-11%
-0.5 Standard Deviation	15.6	4174.3	-35%	15.5		4708.1	-20%
-1 Standard Deviation	13.3	3559.6	-45%	13.2		4014.7	-29%
-2 Standard Deviation	8.7	2330.0	-64%	8.7		2627.9	-48%

Note: As of August 29, 2025. Total returns for 2026 are annualized. Source: LSEG I/B/E/S, RBC GAM

interest rate and inflation environment – and earnings come in at the US\$303.20 level that analysts are forecasting. Assuming both conditions are met, the S&P 500 could trade at 6788 by the end of next year for an annualized total return of 5%. The S&P 500 could reach between 7000 and 8000 next year if valuations approach 2 standard deviations above equilibrium. However, history shows that valuations much beyond 1 full standard deviation aren't sustainable (Exhibit 20). These scenarios highlight that the path to a positive outcome is possible, but achieving it will require maintaining elevated investor confidence in combination with the persistence of strong earnings growth.

Styles: large-cap growth leadership could be stalling after a strong run

The leadership of the U.S. stock market could be shifting to smaller-cap and value stocks after a strong run in large-cap growth stocks since President Trump's "Liberation Day" (i.e. April 2, 2025). While a rotation is hard to detect on longer-term charts, value stocks outperformed growth stocks by 2.7 percentage points in August, the largest gap since March (Exhibit 21). And small caps outperformed large caps by 4.9 percentage points in August, their largest monthly outperformance since November 2024 after Trump's election victory (Exhibit 22). While it may be too early to tell if these moves represent a lasting change, a sustained shift in leadership toward value and small-cap stocks would confirm that an acceleration in economic and corporate-profit growth likely lies ahead.

Exhibit 20: S&P 500 Index

Normalized (Equilibrium) Price/Earnings Ratio



Note: As of August 29, 2025. Source: RBC GAM

Exhibit 21: Value vs. growth relative performance

S&P 500 Value Index / S&P 500 Growth Index



Note: As of September 5, 2025. Source: Bloomberg, RBC GAM

Exhibit 22: Small vs. large cap relative performance

S&P Small Cap 600 vs. S&P 500



Note: As of September 5, 2025. Source: Bloomberg, RBC GAM



Geographies: international markets outperform

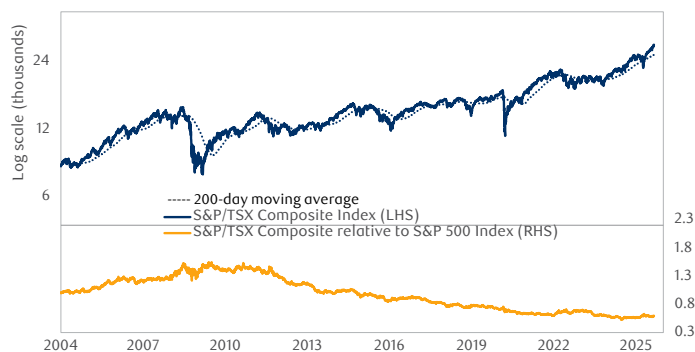
International markets have outperformed in a meaningful way so far this year, and we think they could have further to go. Exhibits 23 to 25 plot a variety of global stock markets, with their relative performance versus the S&P 500 shown in the bottom panel of each chart. Note that non-U.S. markets have stabilized versus the S&P 500 and even started to outperform after nearly 15 years of uninterrupted underperformance. Canada's S&P/TSX, the MSCI Emerging Markets and the MSCI EAFE have all outpaced the S&P 500 by around 10 percentage points so far this year. The relative surge in non-U.S. markets may appear as only a blip on the long-term chart, but our sense is that the outperformance could be in its early stages, particularly since the valuation gap between the U.S. large-cap market and the rest of the world has become especially wide.

Asset mix – adding to equity allocation, favouring non-U.S. regions

Our asset allocation reflects our base case view as well as consideration of other scenarios that could unfold. In our base case, the economy continues to grow at a modest pace and inflation remains calm enough to allow the Fed to resume interest-rate cuts as early as September. We recognize, however, that there are still risks with respect to tariffs and trade policy, geopolitical tensions, and rising investor concern about highly indebted governments.

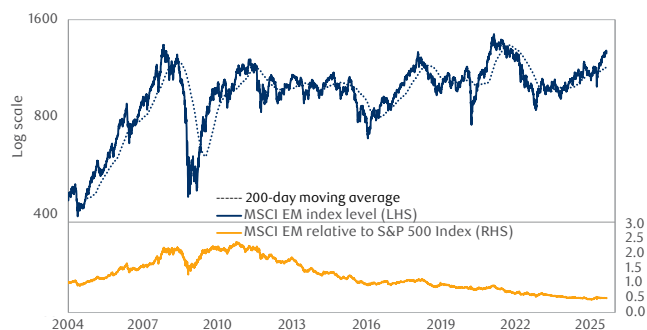


Exhibit 23: S&P/TSX Composite Index



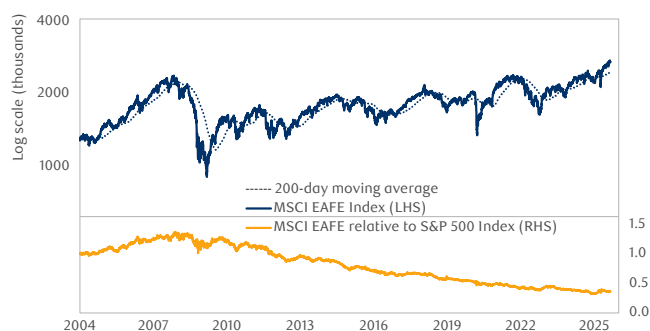
Note: As of August 29, 2025. Source: RBC GAM

Exhibit 24: MSCI Emerging Markets Index



Note: As of August 29, 2025. Source: RBC GAM

Exhibit 25: MSCI EAFE Index



Note: As of August 29, 2025. Source: RBC GAM

In this environment, we expect bonds to deliver modest returns in the mid single digits over the medium to longer term. The historical relationship between yields and subsequently realized returns suggests that a good estimate for fixed-income returns over time is the current yield-to-maturity, which is 4.2% in the U.S. at the time of writing (Exhibit 26). In the near term, we expect fixed-income investors to be able to earn mid single digit returns as long as inflation doesn't rise to uncomfortable levels, with the possibility of higher returns should the economy encounter trouble.

Stocks offer superior return potential versus fixed income, although we recognize that high valuations in U.S. large-cap equities may limit gains. While valuations are not necessarily good near-term timing indicators, they correlate well with returns over longer time horizons as indicated by the strong relationship between Shiller's CAPE ratio and 10-year returns for the S&P 500 (Exhibit 27). The chart, which plots the CAPE alongside subsequent 10-year returns for the S&P 500 (reversed on the chart), indicates that extremely high valuations tend to be followed by relatively low returns, and vice versa. As U.S. large-cap stocks have delivered outsized gains over the past several years, valuations have climbed to levels not seen since the late 1990s technology bubble, which were followed by relatively weak returns for the following decade. A current CAPE of 31.5 suggests mid-single-digit returns for the S&P 500 over the next decade, still above that of fixed income. But the risk premium versus bonds is relatively narrow.

Our view that stocks are likely to outperform bonds in the current environment has motivated us to add one percentage point to our equity allocation, sourced from fixed income. But valuation concerns regarding U.S. large-cap growth stocks have prompted us to direct our equity overweight toward Europe, Asia and emerging markets. For a balanced global investor, our current recommended asset mix is 62.0% equities (strategic "neutral": 60.0%), 37.0% bonds (strategic "neutral": 38.0%) and 1.0% cash.

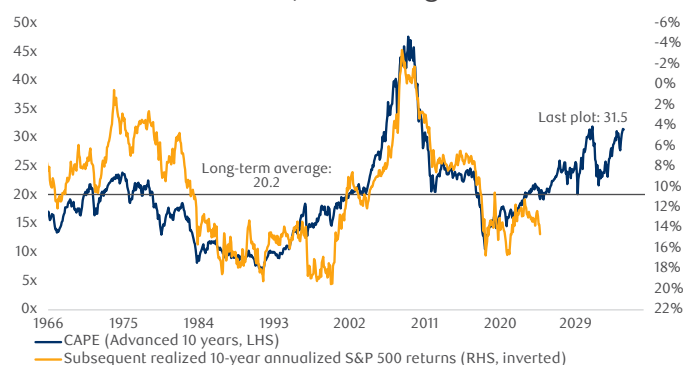
Exhibit 26: U.S. 10-year Treasury note and returns



Note: August 29, 2025. Source: Deutsche Bank, Macrobond, RBC GAM

Exhibit 27: Shiller's CAPE

Real S&P 500 Index / 10-year average of real EPS

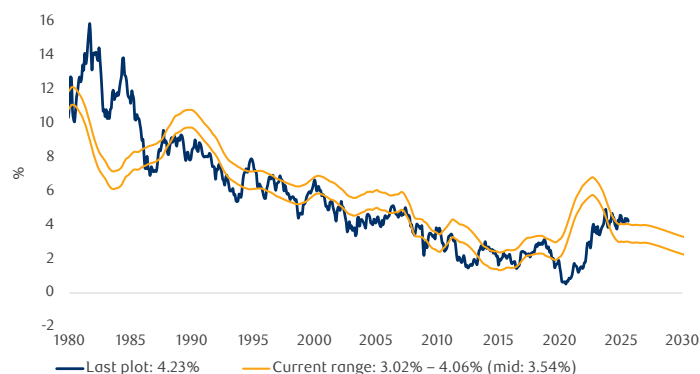


Note: As of Aug 29, 2025. Source: Macrobond, Bloomberg, RBC GAM

Global fixed income markets

U.S. 10-Year T-Bond Yield

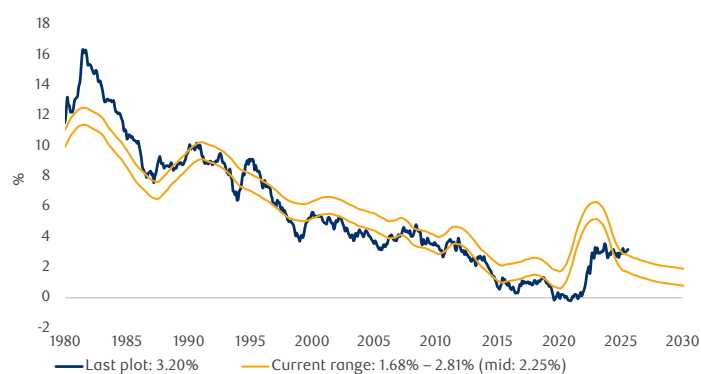
Equilibrium range



Note: As of August 29, 2025. Source: RBC GAM

Eurozone 10-Year Bond Yield

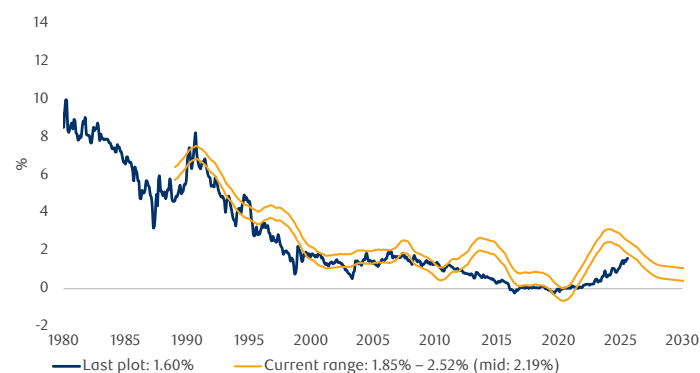
Equilibrium range



Note: As of August 29, 2025. Source: RBC GAM

Japan 10-Year Bond Yield

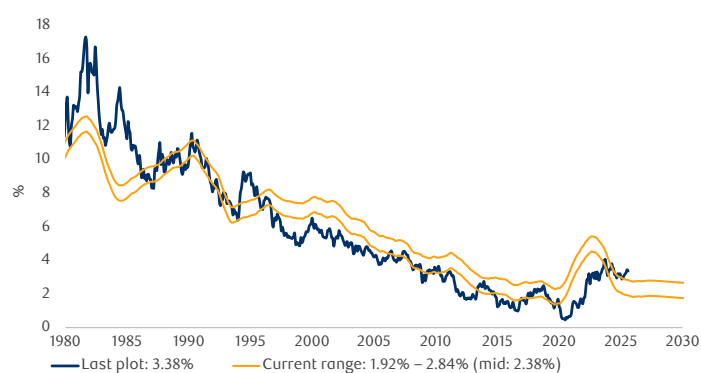
Equilibrium range



Note: As of August 29, 2025. Source: RBC GAM

Canada 10-Year Bond Yield

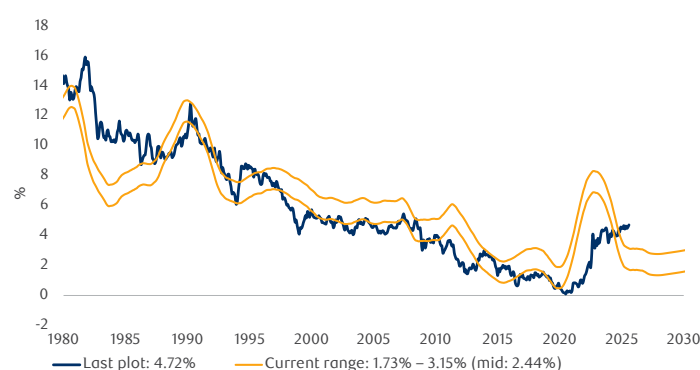
Equilibrium range



Note: As of August 29, 2025. Source: RBC GAM

UK 10-Year Gilt

Equilibrium range



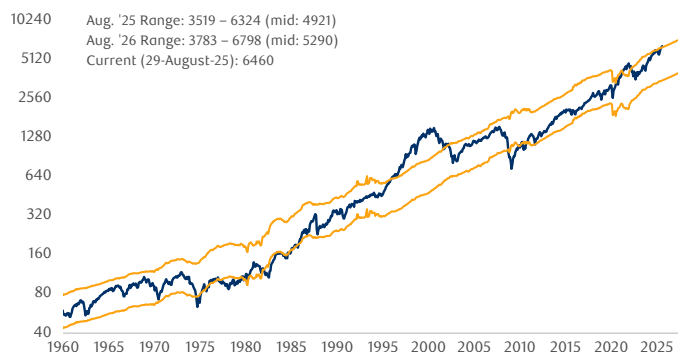
Note: As of August 29, 2025. Source: RBC GAM

“Our equilibrium model points to lower yields over the intermediate to longer term as inflation pressures subside.”

Global equity markets

S&P 500 Equilibrium

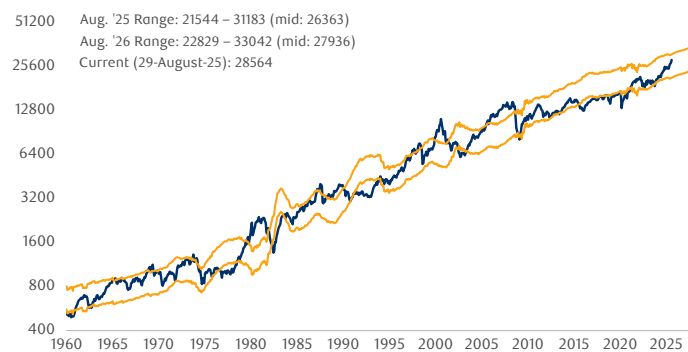
Normalized earnings and valuations



Note: As of August 29, 2025. Source: RBC GAM

S&P/TSX Composite Equilibrium

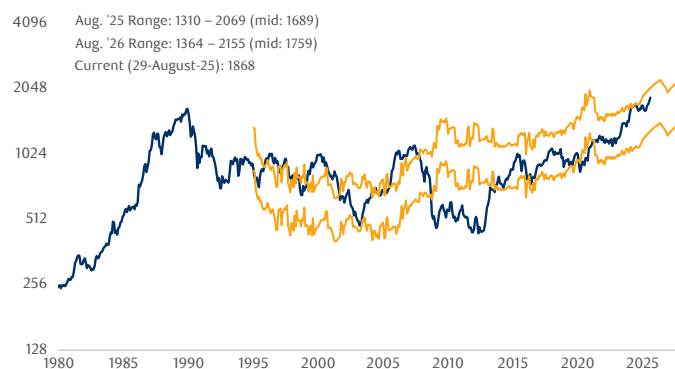
Normalized earnings and valuations



Note: As of August 29, 2025. Source: RBC GAM

MSCI Japan Index

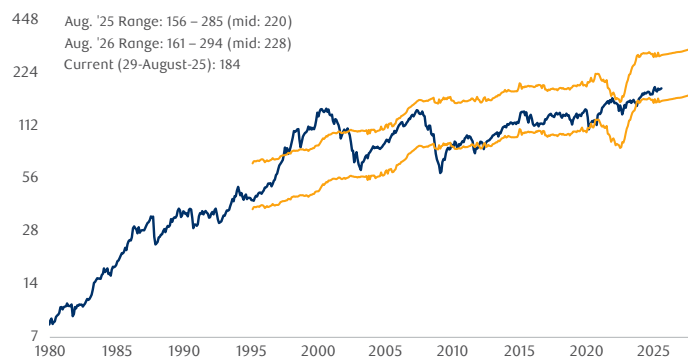
Normalized earnings and valuations



Note: As of August 29, 2025. Source: RBC GAM

MSCI Europe Index

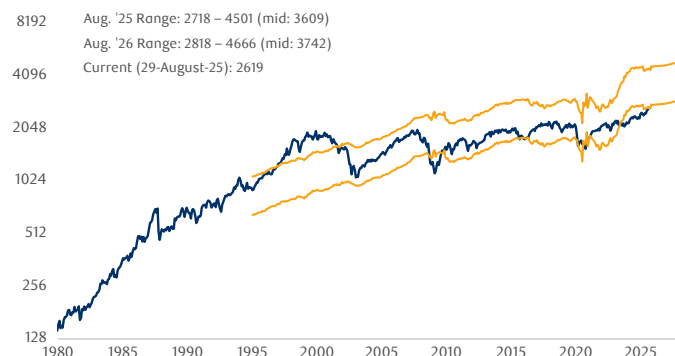
Normalized earnings and valuations



Note: As of August 29, 2025. Source: RBC GAM

MSCI UK Index

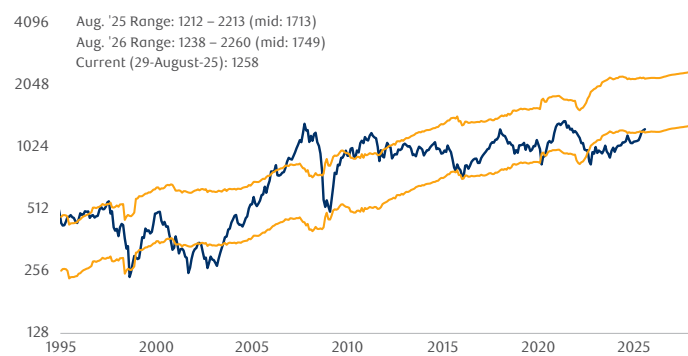
Normalized earnings and valuations



Note: As of August 29, 2025. Source: RBC GAM

MSCI Emerging Markets Index

Normalized earnings and valuations



Note: As of August 29, 2025. Source: RBC GAM

Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index.



Global fixed income markets



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Portfolio Manager
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Management Inc.

U.S. Treasury yields have stabilized in the 4%-5% range this year, up significantly from 1% in 2022 at the tail end of the bond bull market. While yields are attractive based on projections for moderate inflation and average economic growth, deteriorating sovereign finances and rising interest costs are calling into question their long-celebrated role in capital preservation during times of economic stress. In our view, much of this pessimism is already reflected in today's higher yields and steep yield curves, and we believe that Treasuries currently offer investors a fair income stream. Treasuries continue to be the true risk-free assets given their role as near money in the banking system, and their hedging properties are likely to re-emerge if and when extreme financial conditions return.

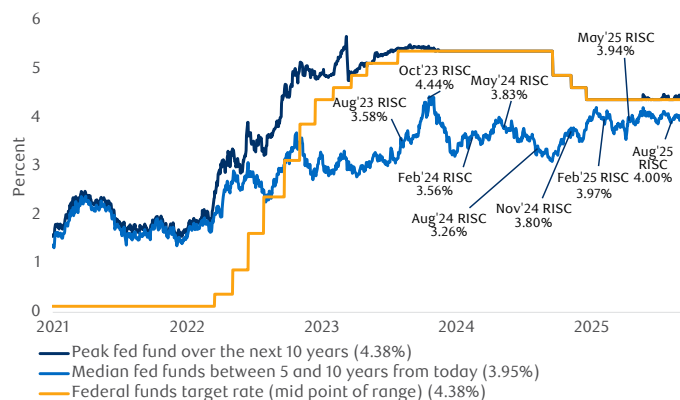
That said, we acknowledge that the U.S. is grappling with unprecedented fiscal challenges. According to the government's own forecasts, the federal debt as a percentage of GDP this year will exceed the record 126% recorded in 2020 at the height of the pandemic, and the percentage is expected to rise again in 2026. Additionally, annual interest costs as a percentage of GDP, already at post-World War II highs, are expected to climb to 4% over the next decade from the current 3%.

The substantial rise in bond yields over the past three years, particularly for maturities exceeding 10 years, underscores how investors are pricing in risks associated with elevated debt levels. In a sign of the increased perceived risks of holding long-term bonds, the extra yield required by investors to hold 30-year Treasuries versus 10-year maturities has risen from 15 basis point to 70 basis points over the past year. Against this backdrop, our job is to assess whether investors

are receiving adequate compensation for the risks they run in holding Treasuries.

Investors appear to be comfortable with stable long-term yields between 4% and 5% based on inflation expectations and strong economic growth. Inflation expectations have remained in the 2%-3% range since 2022, while inflation excluding food and energy has moved toward those levels. Meanwhile, economic growth continues to positively surprise many forecasters, bolstered by fiscal stimulus, strong financial markets and a weaker U.S. dollar. In fact, investors' expectations have decisively broken from the low-inflation, low-growth mindset. The new framework indicates relatively fast economic growth of 1.5% to 2.5%, coupled with inflation exceeding 2%. Within this framework, bond yields in the 4% to 5% range allow fixed-income investors to compound long-term capital at a rate commensurate with nominal economic growth. Expectations of faster growth and above-2% inflation

Exhibit 1: Bond market has been anchoring at 4% long-term policy rates



Note: As of August 1, 2025. Source: Bloomberg, RBC GAM calculations

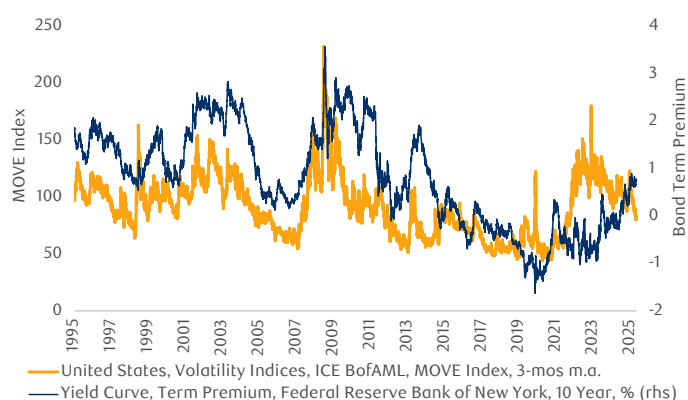
are also illustrated by the stability of long-term policy-rate expectations, which have hovered near the 4% level over the past two years (Exhibit 1).

Part of the reason that Treasury yields have stayed above 4% is that the U.S. government is boosting demand for capital to finance investments in artificial intelligence. This situation is likely to persist as U.S. policies are geared toward greater domestic investment, which will require increased funding.

Real bond yields, which are nominal yields adjusted for inflation, are at levels that suggest decent economic growth will continue. Real yields across developed markets have actually been rising, a sign that economic growth may even shift to a higher plane while inflation remains contained. In this environment, the extra yield that investors demand to compensate for the risk of holding government bonds over longer time periods, known as the term premium, is rising (Exhibit 2). The increase in the term premium marks a clear shift from the mid-2010s, when investors' willingness to sacrifice returns in exchange for capital safety resulted in negative term premiums.

The term premium on the 10-year Treasury bond stands at around 0.80 percentage point, which we believe is fair given that the Fed's significant holdings of U.S. Treasuries—nearly 20% of all outstanding government bonds—will likely limit significant increases in the term premium. To support this assessment, we compare the term premium to the MOVE Index, which measures bond-market volatility based on

Exhibit 2: Fair amount of uncertainty pricing are embedded into 4-5% bond yield range



Note: As of August 28, 2025. Source: Federal Reserve Bank of New York, Bloomberg, Bank of America Merrill Lynch, RBC GAM, Macrobond

options prices. Since the MOVE index has returned to its historical average, we suspect the current 4%-5% yield range already reflects a fair amount of uncertainty about the economic outlook.

The shift by investors away from government bonds since 2022 has driven valuations of corporate bonds and derivatives to extreme levels, and some investors have postulated that U.S. government financial woes are making the safest non-government bonds a viable alternative to Treasuries. Our view is that non-government bonds do not currently offer these “safe-haven” characteristics unless U.S. Treasuries cease to be viewed as “risk-free”—an unlikely scenario given their role as the primary collateral and reserve asset for the global financial system. While technical factors such as rising Treasury supply may temporarily support non-government assets, the diminishing compensation relative to traditional government bonds makes the case for sustained outperformance tenuous. Ultimately, an economic downturn may be the catalyst for Treasuries to reassert their dominance as the true risk-free asset.

We acknowledge that the U.S. debt profile bears some resemblance to countries that have experienced debt crises but are confident that the risk of a full-fledged crisis in the U.S. remains remote. Argentina and Sri Lanka exhibited similar fiscal gaps and rising bill issuance leading up to their crises. However, the dollar's status as the global reserve and transactional currency, the nation's ability to attract international capital for innovation, and the U.S. Federal

Reserve's (Fed) policy tools provide significant buffers. All these factors are key distinctions.

Maintaining strong economic growth must be an important priority for President Trump and future administrations trying to escape the debt monster. U.S. policies are targeting investments in infrastructure, innovation and productivity to drive sustained growth. The U.S. administration is determined to ensure that the country's economic growth continues to benefit from AI applications and infrastructure investments. In this context, today's Treasury yields offer investors sufficient compensation for the risks of the higher inflation that could ensue, as long as it is moderate.

Even with the U.S. fiscal challenges, Treasuries remain a cornerstone of global financial markets, offering stability, liquidity, and risk-free status. High real yields and steep yield curves provide an attractive entry point for long-term investors, especially as many of the fiscal concerns are already priced in. As valuations for riskier assets reach extremes and economic growth moderates, the relative appeal of government bonds is likely to grow. For investors seeking a balance of income, diversification, and safety, government bonds present a compelling opportunity to lock in favourable yields before market dynamics shift. In an uncertain global environment, U.S. Treasuries stand poised to reassert their role as the foundation of a resilient portfolio.

Direction of rates



We anticipate 10-year Treasury yields to remain elevated and maintain our forecast of 4.25%.

United States

Speaking in Jackson Hole, Wyoming, on August 22, Fed Chair Jerome Powell hinted that the prospect of a weaker job market could prompt the Fed to lower interest rates. His warning is reflected in short-term interest-rate derivatives, which indicate Fed-set rates will fall a full percentage point over the next year from the current setting of 4.33%. We are aligned with market expectations and expect the fed funds rate to decline to 3.38%.

One of the key messages in Jackson Hole was that the Fed's policymaking body had erred in 2020 when it adopted an inflation-targeting system based on average inflation. The framework was designed to allow for periods of above-target inflation following periods when inflation undershot the 2% target. The abandonment of this approach implies the Fed is reverting to its traditional goal of simply targeting 2% inflation regardless of where we find ourselves in the inflation cycle. In our view, this policy approach should help limit further increases in term premiums, as bond yields are likely to reflect a more predictable interaction between monetary policy and inflation. This supports our expectation that long-term bond yields will trade within a 4%-5% range.

There is a risk that today's significantly higher term premiums could go even higher as President Trump introduces uncertainty by seeking to influence the Fed's decision-making. If successful, Trump's actions could erode confidence in the Fed's independence and thereby push up long-term bond yields just as the Fed readies to cut short-term rates amid economic weakness, steepening the yield curve.

We expect the Fed to deliver 100 basis points of rate cuts over the next year, likely beginning this month. In an environment of steep yield curves, and questions about fiscal policy and Fed independence, we anticipate that 10-year Treasury yields will remain elevated and maintain our forecast of 4.25%.



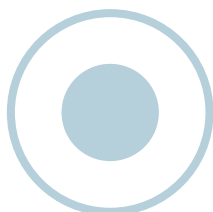
Our forecast for the 10-year bund yield is 2.75%, 25 basis points higher than the previous forecast. The ECB's deposit rate should remain at its current level of 2.00%.

Eurozone

In June, the European Central Bank (ECB) reduced its benchmark interest rate by 25 basis points, lowering the overnight deposit rate to 2.00%. We think this reduction was the final rate cut in the current easing cycle, as fiscal stimulus is likely to boost growth and inflation in the eurozone. The ECB's hints that it is done with interest rates for now, coupled with the U.S.-EU trade agreement, underscores the likelihood that monetary easing is coming to an end.

Bund yields are more likely to rise or remain stable than those in other Western countries and regions as fiscal spending begins to filter through the economy. The 10-year bund yield has risen over the past three months, driven by a higher 2-year yield. While we see the potential for 10-year bund yield to surpass 3.25%, there are considerations that could limit any gains over the coming months, including an inevitable re-evaluation of prospects for economic growth.

Our forecast for the 10-year bund yield is 2.75%, 25 basis points higher than the previous forecast. The ECB's deposit rate should remain at its current level of 2.00%.



We expect the BOJ to raise its policy rate to 0.75% from 0.50% within the next year.

Japan

The Bank of Japan (BOJ) has maintained its policy rate at 0.5% since early 2025, reflecting an exceptionally gradual hiking cycle under Governor Kazuo Ueda. Ueda emphasizes that inflation excluding temporary factors has yet to sustainably reach the BOJ's 2% target. As a result, monetary policy remains accommodative, even with relatively high inflation and weak demand for long-dated bonds.

Japanese economic growth is expected to remain moderate, constrained by inflation and the effect of U.S. tariffs. Temporary factors keeping inflation elevated include a sharp rise in rice prices, while wage growth is broadening beyond large enterprises to small and medium-sized businesses.

Meanwhile, yields on Japanese government bonds (JGBs) are climbing. The yield on the 30-year JGB recently surged past 3.20%, marking the highest levels since the 1990s—a period that ushered in Japan's long era of low inflation and interest rates. The sell-off in long-maturity JGBs preceded similar developments in other major markets, where longer-term rates have also climbed faster than short-term rates. In Japan's case, the yield-curve steepening is exacerbated by reduced demand for longer-maturity bonds, particularly from insurers that have largely stayed on the sidelines.

We expect Japanese policymakers to resume rate hikes in response to persistent inflationary pressures, with the BOJ raising its policy rate to 0.75% from 0.50% within the next year. We expect the BOJ to move slowly on rate hikes as it waits for clearer evidence that rising wages are translating into spending.



We foresee that the yield on the Canadian 10-year government bond will trade at 3.50% over the same period, not far from where it is now.

As part of its strategy to limit further rises in long-dated bond yields, the BOJ in June announced plans to slow the pace at which it sells bonds to ¥200 billion per quarter from April 2026 to March 2027, from current rate of ¥400 billion (C\$3.75 billion) per calendar quarter. The performance of JGBs this year demonstrates limited domestic appetite to absorb the supply when the BOJ is reducing its purchases. We forecast that the 10-year JGB yield will rise to 1.75% sometime within the next 12 months, up from our previous estimate of 1.50%.

Canada

The Bank of Canada (BOC) in July left its policy rate unchanged at 2.75% for a third consecutive meeting based on firm inflation and more resilient than expected economy. At the time, the BOC's preferred inflation measures exceeded 3% and were well above the 2% target. However, the bank remains open to future rate cuts if the economy weakens amid the trade war and price pressures are contained. Rising unemployment and household uncertainty mean that consumers are shying away from spending on housing and other major purchases and their actions limit inflation.

As of August, investors expect one further cut from the BOC within the next 12 months, which would bring the policy rate to 2.50%. With inflation and growth continuing to decline, we believe the BOC is likely to cut more sharply by 0.50% to 2.25%. We foresee that the yield on the Canadian 10-year government bond will trade at 3.50% over the same period, not far from where it is now.

We expect the Canadian yield curve will continue to steepen as short-term rates come down on BOC rate cuts and long-term rates stay pretty much where they are given Canada's commitment to meet NATO's defense-spending targets. Prime Minister Mark Carney announced plans to increase defense spending to 2% of GDP this fiscal year, rising to 5% over the next decade. Achieving the 2% defense target will require an additional \$9 billion in spending this year alone, compounding an expected budget deficit of \$47 billion.





We are keeping our 10-year gilt-yield forecast at 4.25% with the expectation that the yield will decline from its current level of 4.72%.

United Kingdom

A divided Bank of England's (BOE) policy committee cut the benchmark interest rate by 0.25 percentage point to 4.00% in August. The Monetary Policy Committee tied future rate cuts to evidence of lower inflation given significant increases in food and energy prices, and household expectations that inflation will continue to rise.

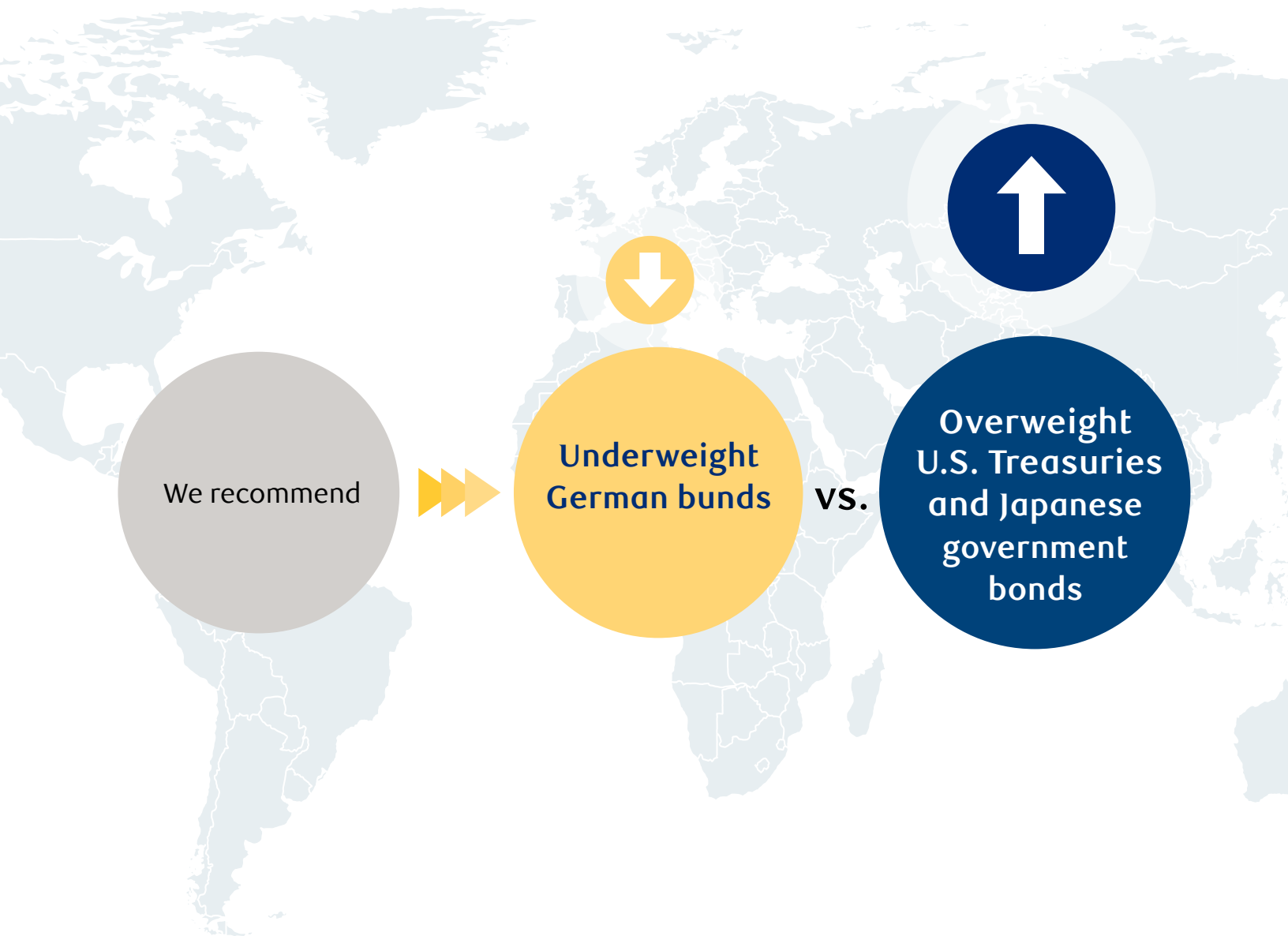
The pace at which the BOE's proceeds on rate cuts will depend on whether inflation comes down enough that the BOE can turn its focus to a weakening labour market. Labour statistics showed that wage growth continues to fall from high levels and employment demand continues to wane. Fiscal policy is a major headache for the Labour Party government, which is likely to raise income taxes in the autumn budget due to strained public finances.

Yields on long-dated gilts are likely to rise in line with other markets, where subdued investor demand reflects concerns over high debt levels. This could prompt the BOE to reconsider its intention to reduce sales of gilts in the months ahead. Considering the softer economic outlook, higher gilt yields will add to economic woes. We therefore expect the BOE to gradually lower interest rates, bringing the policy rate to 3.25% sometime over the next year. We are keeping our 10-year gilt-yield forecast at 4.25%, with the expectation that the yield will decline from its current level of 4.72%.



Regional recommendation

We recommend overweighting U.S. Treasuries and Japanese government bonds and underweighting German bunds.



Interest-rate forecast: 12-month horizon

Total-return calculation: September 1, 2025 – August 31, 2026

U.S.						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	3.50%	3.50%	3.75%	4.25%	4.90%	4.31%
Change to prev. quarter	(0.25%)	0.20%	0.05%	0.00%	0.15%	
High	4.38%	4.60%	4.80%	5.25%	5.75%	(0.21%)
Low	2.13%	2.50%	2.70%	3.50%	4.25%	8.57%

Expected Total Return US\$ hedged: 5.3%

Germany						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	2.00%	2.20%	2.50%	2.75%	3.50%	1.75%
Change to prev. quarter	0.25%	0.60%	0.50%	0.25%	0.50%	
High	2.50%	2.75%	3.00%	3.25%	3.70%	(0.28%)
Low	1.50%	1.50%	1.90%	2.25%	3.00%	6.04%

Expected Total Return US\$ hedged: 3.8%

Japan						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	0.75%	1.20%	1.50%	1.75%	3.25%	2.25%
Change to prev. quarter	0.00%	0.20%	0.30%	0.25%	0.25%	
High	1.50%	1.90%	2.00%	2.25%	3.75%	(3.29%)
Low	0.50%	0.70%	0.75%	0.90%	2.00%	17.44%

Expected Total Return US\$ hedged: 6.8%

Canada						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	2.25%	2.70%	3.00%	3.50%	4.00%	2.66%
Change to prev. quarter	(0.25%)	0.10%	0.10%	0.25%	0.40%	
High	3.25%	3.50%	3.75%	4.00%	4.25%	0.14%
Low	1.75%	2.00%	2.50%	3.00%	3.40%	5.81%

Expected Total Return US\$ hedged: 4.0%

U.K.						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	3.25%	3.10%	3.60%	4.25%	5.50%	7.37%
Change to prev. quarter	(0.25%)	(0.30%)	0.00%	0.00%	0.35%	
High	4.00%	4.50%	4.75%	5.25%	5.80%	2.45%
Low	2.75%	2.60%	3.00%	3.75%	5.00%	11.75%

Expected Total Return US\$ hedged: 8.1%

Source: RBC GAM



Currency markets

Time to capitalize on the U.S. dollar downtrend



Dagmara Fijalkowski, MBA, CFA

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Head of Global Fixed Income & Currencies
RBC Global Asset Management Inc.

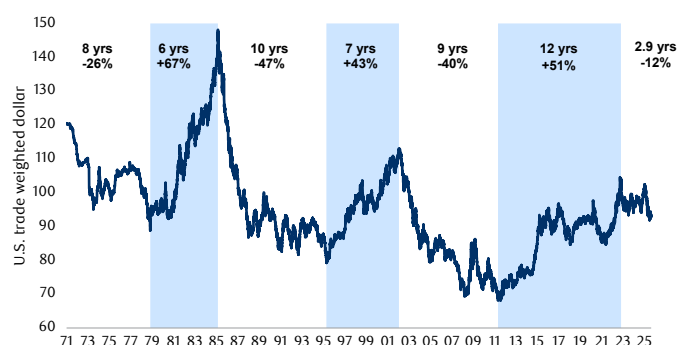


Daniel Mitchell, CFA

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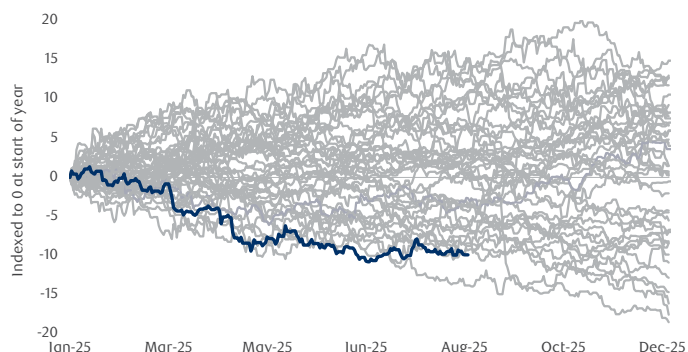
The U.S. dollar fell by 10% in the first half of 2025, marking its largest six-month decline since 2009 and one of its worst yearly starts since the greenback's link to gold was abandoned in the early 1970s (Exhibits 1 and 2). This is certainly not what most investors expected at the beginning of the year, when the U.S. dollar was basking in the glow of higher interest rates, better performing stocks and a stronger economy than other developed-market nations. Following so closely on the heels of this so-called “U.S. exceptionalism,” the currency’s slide was especially surprising to investors who believed the greenback would be propelled even higher by Trump’s plan to raise tariffs. In the months that followed Trump’s inauguration, investors universally flipped from bullish to bearish on the greenback, as can be seen from the large swing in futures positions (Exhibit 3).

Exhibit 1: Long-term cycles in the U.S. trade-weighted dollar



Note: As at August 22, 2025. Source: Bloomberg, U.S. Federal Reserve, RBC GAM

Exhibit 2: Weakest annual U.S. dollar trend since the 1970s



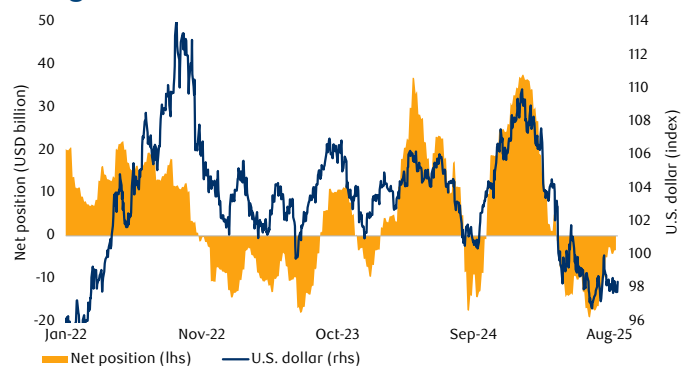
Note: As at August 29, 2025. Source: Bloomberg, RBC GAM

A comparison to past calendar years is a bit arbitrary because the capital flows that drive exchange rates are more dependent on investment themes than on seasonality. It's more fitting to compare this year's decline in the dollar with past bear markets, and the current episode looks remarkably similar to the dollar's past two multi-year declines if we designate the start of the sell-off as this year's high on January 13 (Exhibit 4). Starting from this point, we can see that the bulk of the dollar's decline tends to materialize within the first three years, and investors need to be quick to call the dollar's peak if they are to capitalize on its subsequent decline. This chart suggests that it's better to be too early than too late in betting against the greenback at this point in the U.S.-dollar cycle, especially since the currency's overvaluation near such turning points limits further gains.

Another feature of these bear-market roadmaps is a tendency for the dollar to experience temporary bouts of strength. Such counter-trend moves cause some investors to buy back their short U.S.-dollar positions, and in doing so contribute to a further acceleration of the greenback's gains. We saw such a move this past July, when the dollar rallied 4% in the month to above its 50-day moving average – a level that has limited the currency's gains since February. As it happens, these kinds of early-stage bounces tend to average around 4% to 6% and should be viewed as opportunities for investors to sell dollars if they haven't already done so. These opportunities are not easy to time, however, as market narratives tend to make it appear as though the greenback bounce could be much larger. This was indeed the case in July, when a few important U.S.-dollar negatives were seemingly eliminated, such as the removal of a proposed levy on foreign holders of U.S. assets in Trump's One Big Beautiful Bill. The idea of a Mar-a-Lago accord to co-ordinate a weaker U.S. dollar also fizzled. Additionally, the signing of tariff deals with the UK, Japan, South Korea and others was good news for the U.S. economy and for business investment, since some of those agreements include a requirement for trade partners to invest capital in the U.S.

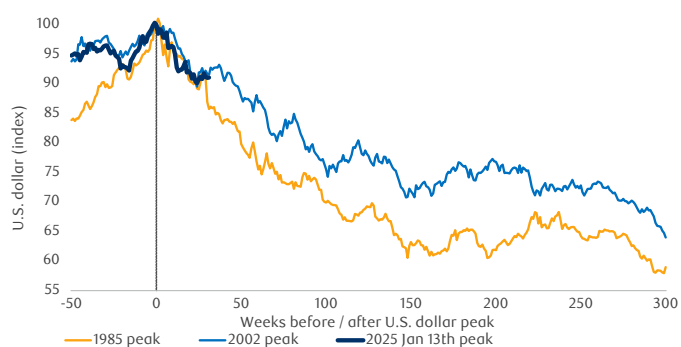
We think it likely that the greenback makes new lows in coming months. In fact, it seems to have returned to its declining trend, knocked lower by a trio of events that hit within hours of each other on the first day of August. First, weaker jobs data revealed a softer U.S. labour market and had investors boosting expectations for a September rate cut from the U.S. Federal Reserve (Fed) (Exhibit 5). Second,

Exhibit 3: Futures positions in the U.S. dollar have swung from bullish to bearish



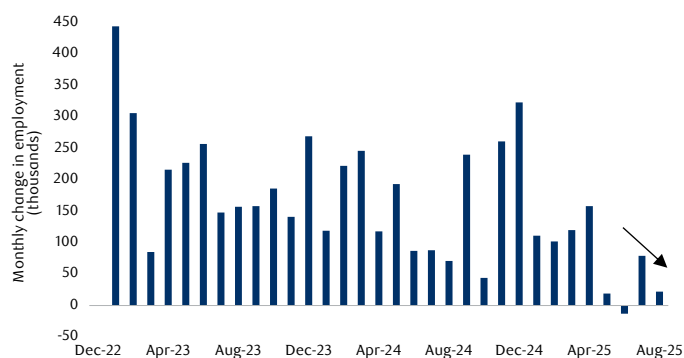
Note: As at August 29, 2025. Source: Bloomberg, CFTC, RBC GAM

Exhibit 4: The dollar's decline compared to past bear markets



Note: As at August 29, 2025. Source: Bloomberg, RBC GAM

Exhibit 5: U.S. labour market softening



Note: As at September 5, 2025. Source: U.S. Bureau of Labour Statistics, RBC GAM

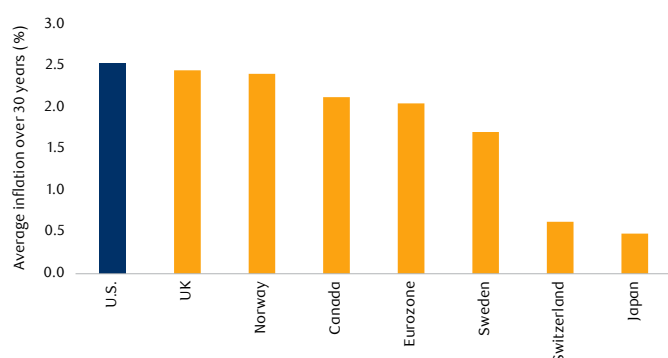
President Trump fired the head of the agency responsible for compiling the softer employment numbers, raising concerns about the integrity and independence of U.S. institutions. Third was an announcement by Fed Governor Adriana Kugler that she would step down before her term was up, allowing the White House to nominate Trump loyalist Stephen Miran to serve the remainder of Kugler's term. Miran is a well-known advocate of a weaker U.S. dollar and in a paper published last fall proposed a framework for weakening the currency. He has also called for reforms that would allow the White House to exercise greater influence over the central bank.

The replacement of Fed governors is an especially touchy subject given Trump's criticism of Chairman Jerome Powell for being too slow to ease monetary policy. As it stands, we think financial markets have not fully factored in concerns about the threat to Fed independence. Trump has made clear that he intends to control a majority of the seven governors, which could allow him to influence appointments of Fed regional presidents who make up the remaining five monetary-policy voters. Bond and currency investors should be concerned that politically motivated rate cuts could prolong a period of high inflation, which would almost certainly erode fixed-income returns and the value of the greenback. Trump's recent move to fire Governor Lisa Cook for reasons unrelated to her role at the Fed did little to alleviate these concerns. In the event that Trump's actions survive the legal challenges that are surely coming, he will be emboldened to meddle further – both in the affairs of the Fed and other U.S. institutions.

Our longer-term outlook remains firmly bearish on the U.S. dollar and is reinforced by structural negatives that will persist for at least several years:

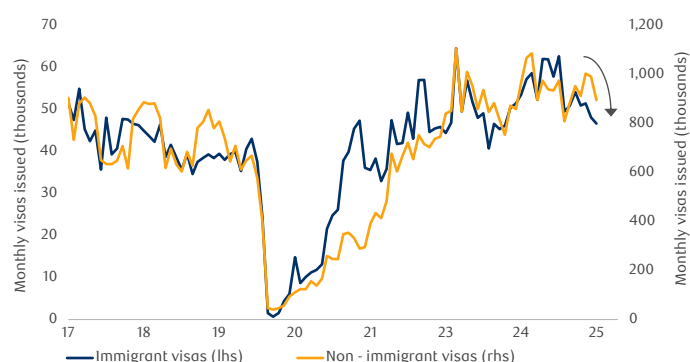
- Significant overvaluation of the U.S. dollar.
- Large trade and fiscal deficits that gradually increase U.S. indebtedness to the rest of the world.
- Higher inflation than other developed-market nations, which erodes the dollar's purchasing power over time (Exhibit 6).
- Policy unpredictability, which slows economic growth as households and businesses shy away from spending and investing.
- Falling immigration and rising retirements, which shrink the pool of productive workers (Exhibit 7).
- A loss of global influence, damaged trade relations and a pullback from international co-operation leaves the U.S. with fewer friends on which it can rely for UN Security Council votes or in standing up to emerging geopolitical rivals. Importantly, de-globalization and the withdrawal from global co-operation also leaves the U.S. with fewer buyers of Treasuries.
- A worrying attack on the credibility and independence of the country's key institutions as Trump looks to exert more influence over all aspects of American life. While attacks on the Fed are the ones making headlines, Trump has also undermined institutions spanning education, justice, nuclear energy, labour unions, healthcare, statistical agencies and media.

Exhibit 6: U.S. inflation higher than other developed market countries



Note: As at July 31, 2025. Source: Bloomberg, RBC GAM

Exhibit 7: Pool of workers shrinks as immigration falls



Note: As at May 30, 2025. Source: U.S. Department of State, RBC GAM

Tempering our pessimism is the fact that the U.S. dollar still enjoys many advantages. For one, its status as the primary reserve currency allows the country to borrow more cheaply and to run larger fiscal deficits than it could otherwise. Energy independence is also of importance in that a secure source of domestic oil and gas keeps prices stable and prevents the kind of energy crisis that Europe experienced after Russia's invasion of Ukraine. The U.S.'s leadership in innovation, while largely responsible for the country's huge wealth divide, is also a spectacular engine for economic growth. From that innovation has come many of the world's leading technology companies, making the U.S. well situated to benefit from the initial investment in AI technology as well as the productivity gains that it will eventually unlock.

As a result, foreign investors are likely to keep investing in these U.S. technology companies given their superior performance and ability to generate cash. They may also choose to keep buying stocks in other industries that will profit from business-friendly measures coming into force next year, namely U.S. financial deregulation and the accelerated depreciation allowance.

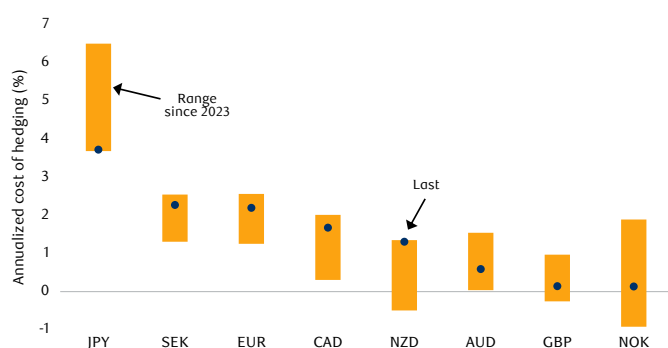
Going forward, we think foreign investors will increasingly choose to hedge the currency exposure on new purchases as well as existing holdings of U.S. stocks. While the academic

literature around currency hedging for equities is mixed, we note that there are three factors that have led investors to mostly leave currency risk unhedged. All three of these are now shifting in ways that suggest at least a marginal increase in hedging.

1. The cost of hedging U.S. dollars is high, but has been getting cheaper for Japanese investors, and will be lessened for all global investors as the Fed reduces interest rates in the coming year (Exhibit 8).
2. Investors were previously optimistic on the dollar's prospects, but the theme of U.S. exceptionalism has faded and sentiment toward the greenback has clearly soured.
3. The dollar's safe-haven status had previously provided a source of insurance for global investors because the greenback tended to gain when stocks fell. This stock-dollar correlation has flipped in 2025 (Exhibit 9) and investors this year (in April and in August) have twice experienced losses that were magnified by synchronized sell-offs in equities and the dollar.

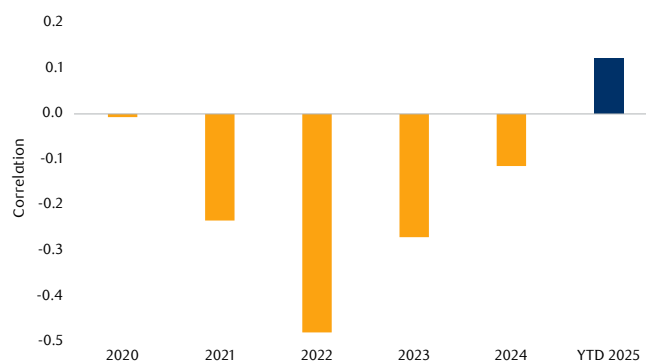
There is already some evidence that investors have begun to reduce their U.S.-dollar exposure. This is a difficult theme to monitor because there is little public data on the holdings of insurers or pension funds, which are among the largest holders of U.S. assets. The Danish central bank publishes

Exhibit 8: Cost of hedging remains high



Note: As at August 29, 2025. Source: Bloomberg, RBC GAM

Exhibit 9: U.S. dollar's correlation with the S&P 500 is now positive



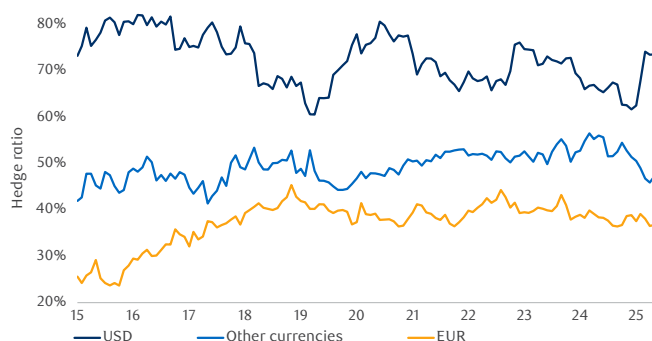
Note: As at August 29, 2025. Uses daily data. Source: Bloomberg, RBC GAM

aggregate statistics showing that the country's pensions have raised hedges on U.S. investments (Exhibit 10), and according to a press report in early August, a Canadian pension fund has more than halved its exposure to the greenback. A more broad-based indicator of industrywide trends is the aggregated client activity published by State Street's custodial arm, but this metric shows no sign yet of a broader increase in U.S. dollar hedge ratios. We are not surprised. It takes months for investment committees to meet, analysis to be commissioned and hedging policies drawn up. Hedging activity will likely pick up into the fall as Europeans return from vacation and pension boards meet to plot strategy for the next year. The more the dollar weakens and interest rates fall in the coming months, the more urgent it will become for investors to consider these hedging decisions. Such hedging flows could amount to hundreds of billions of dollars – surely enough to fuel the next leg of U.S.-dollar weakness.

In an environment where the dollar continues to fall, which currencies would perform best? The Japanese yen should lead among developed-market currencies, we think, while the euro, as the main alternative to the dollar, would surely benefit as well. We also think emerging-market currencies could begin to benefit more broadly in the coming year given reduced trade and geopolitical uncertainty as well as the general U.S.-dollar weakness. We have noted that investors are increasingly willing buyers of emerging-market assets and currencies, according to surveys and financial asset-positioning data.

Optimism about emerging-market currencies also stems from a newfound willingness by the People's Bank of China (PBOC) to let the renminbi appreciate. This is important because the dollar could be pushed weaker should depositors choose to convert some of the US\$1 trillion worth of U.S. currency that they hold in the Chinese banking system (Exhibit 11). Given the extent to which the renminbi is controlled by the government, we doubt this would stoke a runaway appreciation of the yuan, but we do think the conversion of these U.S. dollar balances into renminbi could push up the Chinese currency and cause a more widespread rise in emerging-market exchange rates.

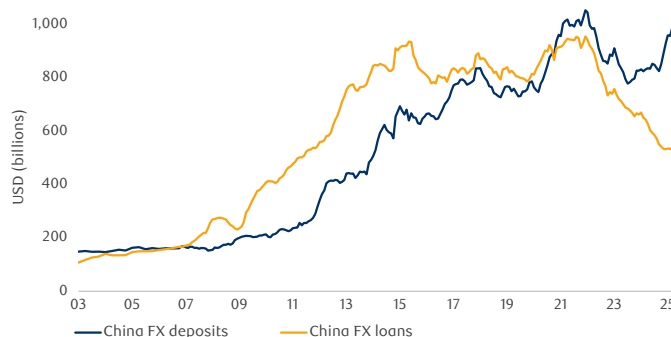
Exhibit 10: Danish pensions have raised U.S. dollar hedge ratios



Note: As at July 31, 2025. Source: Central bank of Denmark, RBC GAM

“We think the conversion of the U.S. dollar balances into renminbi could push up the Chinese currency.”

Exhibit 11: Large stockpile of U.S. dollars in the Chinese banking system



Note: As at July 31, 2025. Source: PBOC, RBC GAM

Canadian dollar

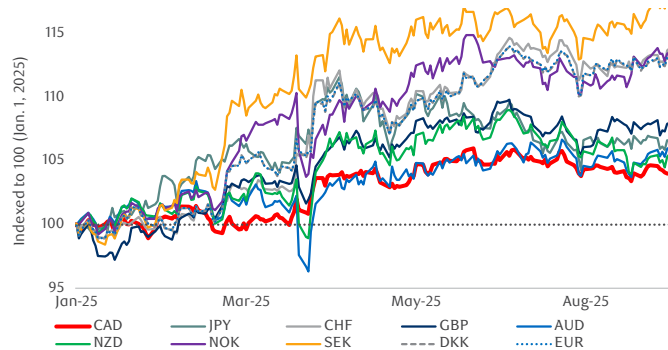
Like other G10 and emerging-market currencies, the Canadian dollar will benefit from a weaker U.S. dollar. How and why the greenback weakens, however, will partly determine how well the loonie performs. If the U.S. currency falls because of the macroeconomic factors listed earlier, the Canadian dollar would perform well. However, the loonie's sensitivity to the pace of economic growth means that a broad and sustained slowdown would make it difficult for the loonie to keep up with its developed-market peers.

The loonie has been a notable underperformer this year among its peers (Exhibit 12). This is partly owing to a weaker labour market, with the country's unemployment rate rising faster than others (Exhibit 13). Economic uncertainty has also played a role, as trade relations with the U.S. remain strained ahead of next year's re-negotiation (or possible cancellation?) of the U.S.-Mexico-Canada (USMCA) trade pact. A third factor that has kept the loonie from rallying more is the Bank of Canada's dovish stance. The central bank was quicker than the Fed to cut interest rates, and lower yields on government bonds have dented demand for the loonie.

On a more positive note, the actual tariff impact on Canadian exports has been muted so far by the fact that most goods are currently exempted under the USMCA agreement – so Canada actually faces a lower average rate of tariffs than do many other U.S. trading partners. Moreover, we believe that the economic threat posed by Trump may cause Canadian politicians to do what is necessary to enact much-needed reforms. Prime Minister Carney's plans for greater infrastructure spending and the removal of inter-provincial trade barriers would be a key ingredient in boosting Canada's overall productivity. Finally, the Canadian dollar is attractively valued based on purchasing power parity as well as a wide variety of other valuation models (Exhibit 14).

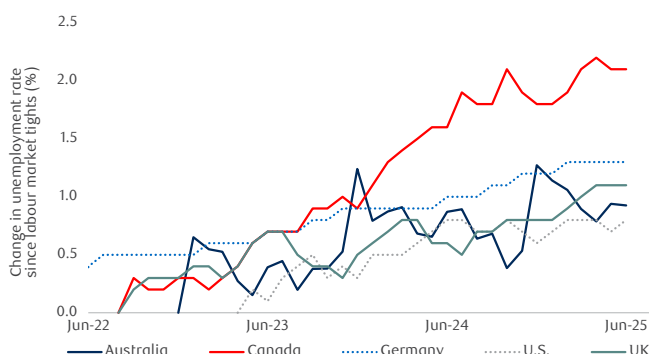
Our 12-month forecast for the Canadian dollar sits at C\$1.32 per U.S. dollar, compared with about C\$1.37 currently. This factors in some gains relative to the U.S. dollar but also implies a period of underperformance relative to other major developed-market currencies.

Exhibit 12: Canadian dollar lagging other G10 currencies



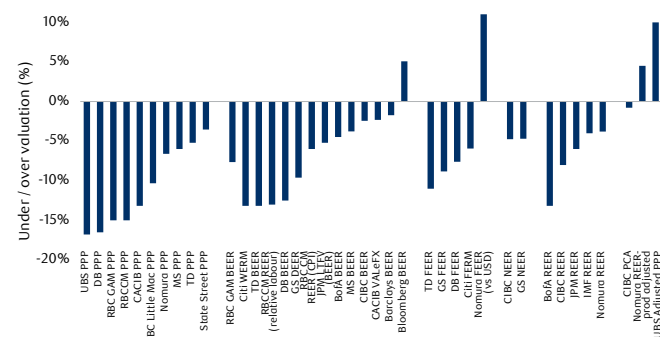
Note: As at August 29, 2025. Source: Bloomberg, RBC GAM

Exhibit 13: Canada's unemployment rate is rising faster than others



Note: As at July 31, 2025. Source: Bloomberg, RBC GAM

Exhibit 14: Canadian dollar cheap across multiple valuation models



Note: As at July 31, 2025. Source: UBS, Deutsche, RBC CM, Credit Agricole, HSBC, Nomura, Morgan Stanley, TD, State Street, Citibank, Goldman Sachs, BofA, CIBC, Barclays, RBC GAM

Euro

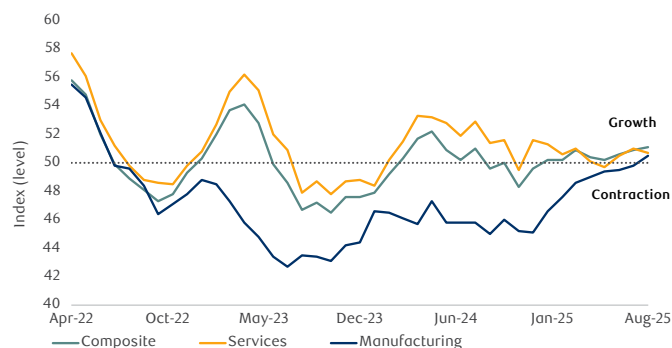
As the second most traded global currency, the euro would certainly benefit from a further weakening of the U.S. dollar. The fate of Europe's single currency also depends on whether we see continued improvement in the regional economy and reforms that set the stage for sustained economic gains. We are encouraged by recent economic data on business sentiment (Exhibit 15) and bank lending.

European equity markets are reflecting the theme of improved eurozone growth as domestically oriented sectors perform better than globally oriented ones (Exhibit 16). We expect this trend to continue as German fiscal and infrastructure spending ramps up next year. There is concern that a strong euro might dent the earnings of European companies that sell autos and luxury goods in foreign markets since about half the revenue brought in by European companies comes from abroad. That said, markets don't seem particularly troubled by this. The fact that Europe's equity indexes have kept pace this year with U.S. stocks suggests that a European economy increasingly driven by domestic strength makes it less sensitive to fluctuations in the exchange rate.

This theory will likely be put to the test in the coming year. While foreign-exchange markets have been unusually stable in recent years, it appears likely that the single currency will trade in an above-average range (Exhibit 17). The US\$1.20 level is seen by investors as the one that could slow the eurozone economy and prompt a more aggressive easing from the European Central Bank (ECB), but we note that the ECB has always paid more attention to the pace of gains rather than the level of the exchange rate. The euro's summertime decline, due in part to political and fiscal concerns in France, offered some relief from the negative impact on growth of prior euro strength.

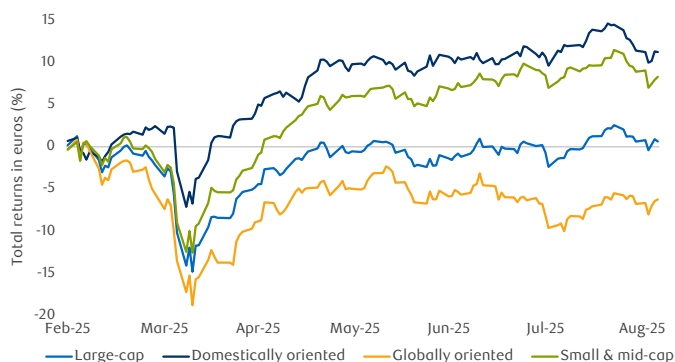
We set our forecast at US\$1.24 per euro for the year ahead with the expectation that U.S. dollar weakness will serve as a tailwind and that the single currency will also benefit from a more durable economic recovery. While US\$1.20 is the level of technical resistance targeted by many investment banks, we think that US\$1.24 could prove to be a conservative forecast if the eurozone economy continues to perform well and political uncertainty in France subsides. More durable progress on ending the war in Ukraine would prompt us to raise our forecasts beyond US\$1.30.

Exhibit 15: European PMI recovery shows improving business sentiment



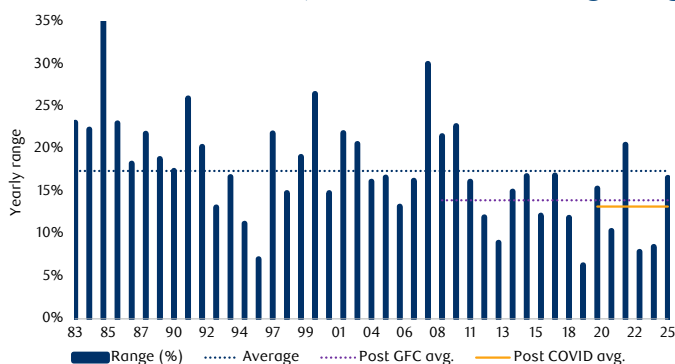
Note: As at August 29, 2025. Source: S&P Global, RBC GAM

Exhibit 16: Domestically exposed equities are leading European equity performance



Note: As at September 5, 2025. Source: MSCI, RBC GAM

Exhibit 17: Euro will likely trade in above average range



Note: As at August 29, 2025. Source: Bloomberg, RBC GAM

Japanese yen

We have been bullish on the yen for some time and still think it can outperform other developed-market currencies this year. The outlook has been a tough one to maintain, however. The yen has been unable to strengthen beyond 140 per dollar over the past 24 months (Exhibit 18). One factor holding the Japanese currency back is that interest rates are lower in Japan than in many developed markets. In the context of 4.2% Treasury yields, the 3.5% cost of hedging remains prohibitive. Equally, that lower yield means that speculators have been reluctant to hold the yen, even if this year's higher exchange-rate volatility allows them to capture quick trading gains on long yen positions. This attitude is slowly changing, in part because the dollar's persistent decline has begun to convince investors that they can earn more from their hedges than the 3.5% cost, and in part because the cost itself is declining as the Bank of Japan has been hiking rates while other central banks are cutting (Exhibit 19).

Another hurdle for the yen has been political uncertainty, as households associated increasing prices and falling inflation-adjusted wages (Exhibit 20) with the ruling Liberal Democratic Party. Prime Minister Shigeru Ishiba's decision to resign on September 7th opened the door for successors that could boost fiscal policy in support of economic growth, a development that may encourage more rate hikes from the Bank of Japan.

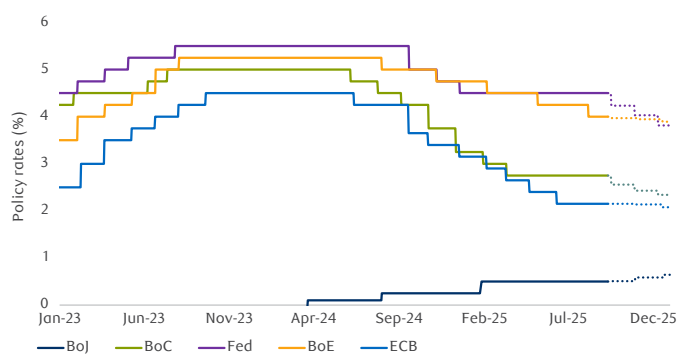
We forecast that the yen will strengthen toward 133 per dollar from 147 currently, implying that the yen will outperform the euro, pound and Canadian dollar over the next year. This conclusion fits well with the fact that the yen is among the world's cheapest currencies based on purchasing power and that Japan runs smaller fiscal deficits than its peers.

Exhibit 18: Yen struggling to strengthen beyond 140



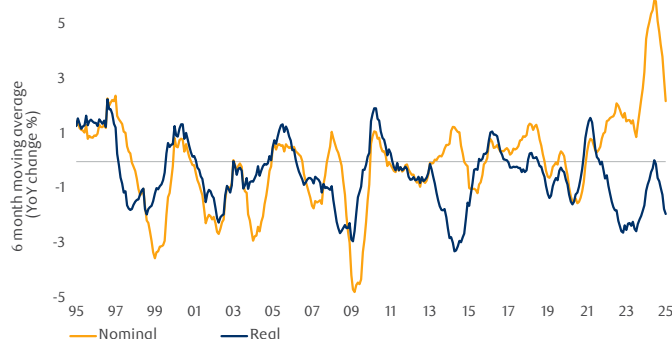
Note: As at August 29, 2025. Source: Bloomberg, RBC GAM

Exhibit 19: Bank of Japan hikes stand out among peers



Note: As at September 10, 2025. Source: Bank of Canada, Bank of Japan, U.S. Federal Reserve, Bank of England, European Central Bank, RBC GAM

Exhibit 20: High inflation eroding wage gains



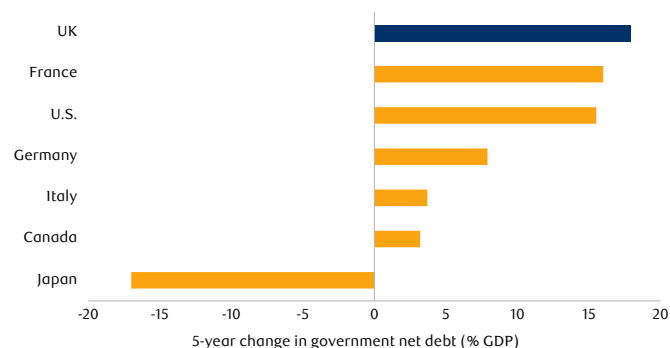
Note: As at June 30, 2025. Source: Japanese Ministry of Health Labour & Welfare, RBC GAM

British pound

The UK economy has been slower to bounce back from the pandemic than other developed-market nations, and its GDP per capita remains below 2019 levels. A variety of social and economic issues are to blame, including a generous social safety net and fiscal support during the pandemic that dissuaded workers from returning to work and left a larger share of the working-age population on long-term sick leave. A combination of higher government spending, rising interest costs and lower tax revenues is stretching the UK's finances (Exhibit 21) and testing the patience of investors. Given the difficulty that Chancellor Reeves is having in passing this year's budget, it's clear that fiscal pump-priming is unlikely to be a source of economic support.

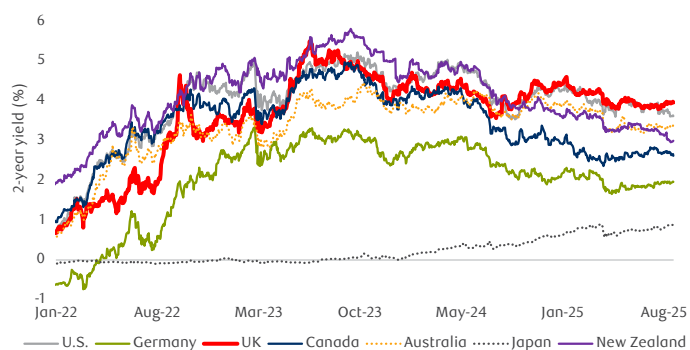
The result is that pressure is mounting on the Bank of England to save the day by cutting interest rates. While lower rates are needed to support growth, they could also stoke inflation that is already the highest among developed countries and damage faith in the pound. The pound has managed to keep pace with other G10 currencies this year only because it is among the highest yielding currencies in the group (Exhibit 22). Removing that yield advantage would likely set the stage for underperformance. This fiscal and monetary dilemma is one of the main reasons we expect the pound to underperform in the year ahead. Our forecast is for the exchange rate to rise only modestly to US\$1.38 per pound.

Exhibit 21: UK finances becoming stretched



Note: As at December 31, 2024. Data from 2019 to 2024. Source: Deutsche Bank, RBC GAM

Exhibit 22: UK bonds have highest yield in G10



Note: As at August 29, 2025. Source: Bloomberg, RBC GAM



Regional outlook – United States



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Portfolio Manager
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U.S. stocks, measured by the S&P 500 Index, rose 9.6% in the three months ended August 31, 2025. Stocks continued to build gains amid strong earnings growth, especially among the biggest technology companies, and greater certainty as it relates to U.S. tariff policy. The S&P 500 has rallied 30% since early April's "Liberation Day," when U.S. President Trump announced sweeping global tariffs that led to significant declines in financial markets. Trade deals and trade frameworks have been announced involving many major U.S. trading partners, with China, India and Canada as the notable exceptions. The average tariff appears to have settled in the 15% to 17% range, and companies and investors seem to have accepted this new status quo. The impact of the tariffs on inflation has so far been muted, but the possibility remains that they could boost inflation and result in narrower corporate profit margins.

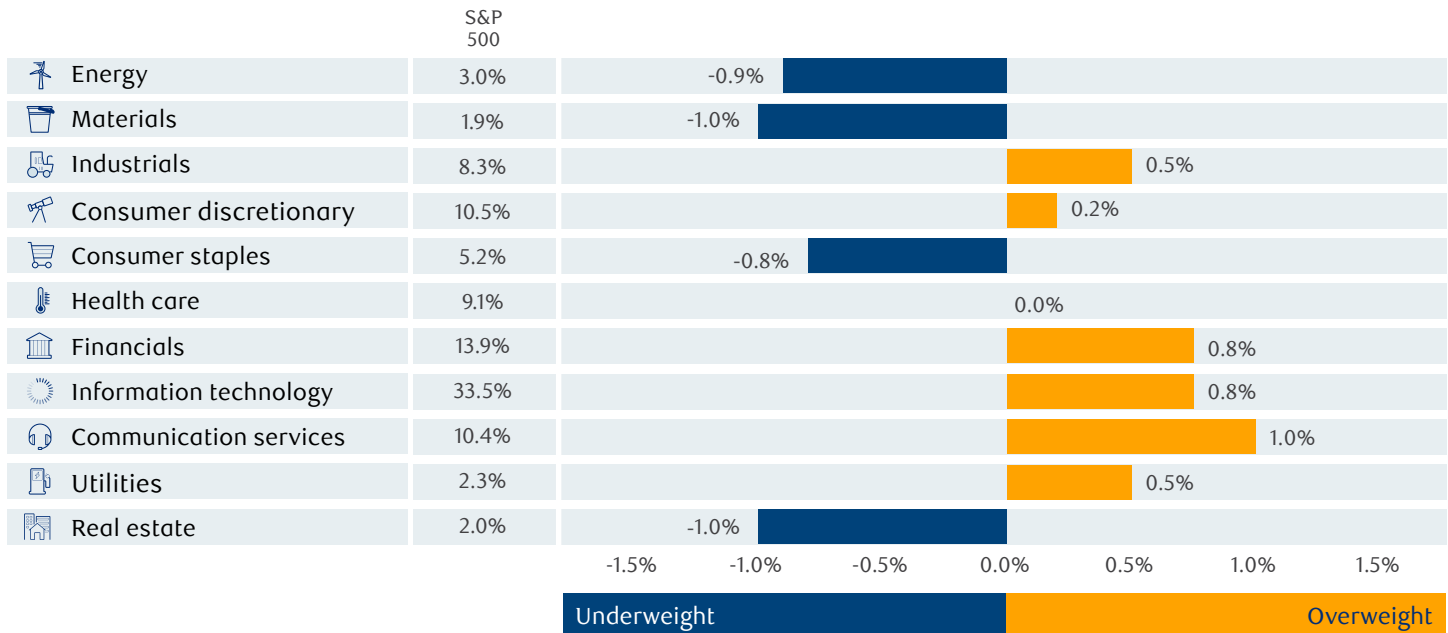
The market continues to make all-time highs and trades at a relatively lofty valuation, with the S&P 500 in the area of 23 times forward earnings. Valuations reflect a lot of excitement about capital spending on artificial intelligence (AI) and the potential for AI-driven corporate productivity, along with strong earnings growth from the megacap technology companies. These high free-cash-flow businesses increased their collective earnings per share in the second quarter by 29% in comparison with 7% profit growth for the remaining 494 components of the index.

Looking ahead, the central theme to the U.S. market continues to be investments in AI and the benefits that many industries hope to derive from its applications. Nvidia, which sells the chip systems that power AI, is an obvious beneficiary, but the benefits extend to specialized equipment suppliers, engineering and construction firms, and utilities.

Capital expenditures by megacap technology companies are expected to climb 20% in 2026, based on consensus estimates, and the projection for 2027 is US\$500 billion. Among the trends that support continued growth in AI capital expenditures are demand for computing that exceeds supply and the rapidly expanding applications for AI. We are mindful of the possibility of overbuilding and excessive risk-taking when a theme becomes as meaningful for the equity markets as AI has.

Free-cash-flow margins for megacap technology companies are much higher than they are for the rest of the market. Trump's plan to offer tax incentives for domestic capital expenditures and research and development should provide significant benefits to the big technology companies as they have the largest capital expenditures. Any meaningful fall-off in free-cash-flow expectations would pose a risk for investors.

United States – Recommended sector weights

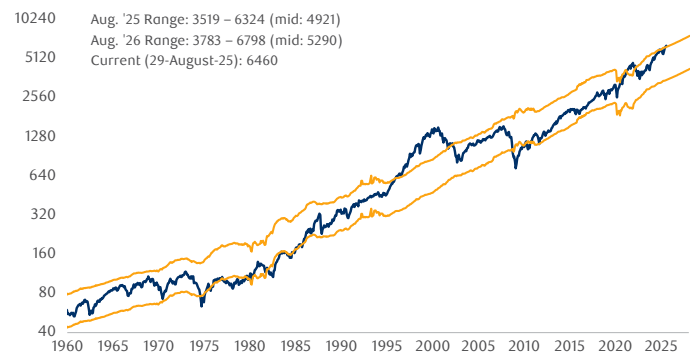


Note: As of August 29, 2025. Source: RBC GAM

“Given that the stock market trades at relatively high valuations, strong earnings will be required to sustain the consistent gains of recent years.”

S&P 500 Equilibrium

Normalized earnings and valuations



Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index. Source: RBC GAM

AI-linked productivity is set to be an increasingly important theme for broad S&P 500 earnings-per-share growth, and more companies are starting to publicly broach AI-powered productivity targets with investors. The expectation is that AI's productivity benefits will be more widely discussed as we progress through 2026.

Let's look at the most recent quarterly financial results. In the second quarter, earnings-per-share growth in the S&P 500 came in at roughly 11%, driven by revenue growth of 6%. While technology led, the Financials sector was also a standout, with 20% earnings growth and a 15% expansion of profit margins. Among less cyclical sectors, Health Care earnings per share were up 2% and Utilities basically flat. Earnings per share in the Consumer Discretionary sector excluding Amazon were down 2.5%, as 2% revenue growth was more than offset by an 8% decline in profit margin.

The consensus estimate for 2025 earnings-per-share growth is 9%, with a deceleration expected in the second half of the year. In 2026, expectations are for earnings per share to rise about 10%, as AI productivity gains may be able to offset some of the negative impact of tariffs.

A notable, and concerning, development is the increasing involvement of the federal government in corporate affairs.

Under a deal between the U.S. and Nvidia, the company will pay a 15% export tax on semiconductor shipments to China in return for permission to sell its products in the Asian country, and the U.S. government is taking an equity stake in Intel in exchange for agreeing to follow through on government grants promised in legislation passed by the Biden administration. Trump administration officials have said that it would like to do more deals where the government gets company stakes in exchange for funding, including in the defense industry. This approach of meaningful government intervention in Industrial Policy is the antithesis of U.S.-style, free-market capitalism. Whether it be semiconductors or defense, the risk is that the U.S. government will get involved in conflicts of interests in which it is then forced to favour certain companies over others. It's a sub-optimal way to achieve long-run economic prosperity and adds a risk to the stock-market backdrop.

Given that the stock market trades at relatively high valuations, strong earnings will be required to sustain the consistent gains of recent years. The sharp market run-up and continued involvement of the Trump administration across the economy keeps us mindful that there is a wide range of outcomes.



Regional outlook – Canada



Sarah Neilson, CFA

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Senior Portfolio Manager,
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Irene Fernando, CFA

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Senior Portfolio Manager,
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Canada's stock benchmark, the S&P/TSX Composite Index, recorded total returns of 9.8% in the three months ended August 31, 2025. In U.S.-dollar terms, the S&P/TSX gained 9.8%. The S&P 500 Index gained 9.6%, while the MSCI World Index gained 8.4% in U.S.-dollar terms.

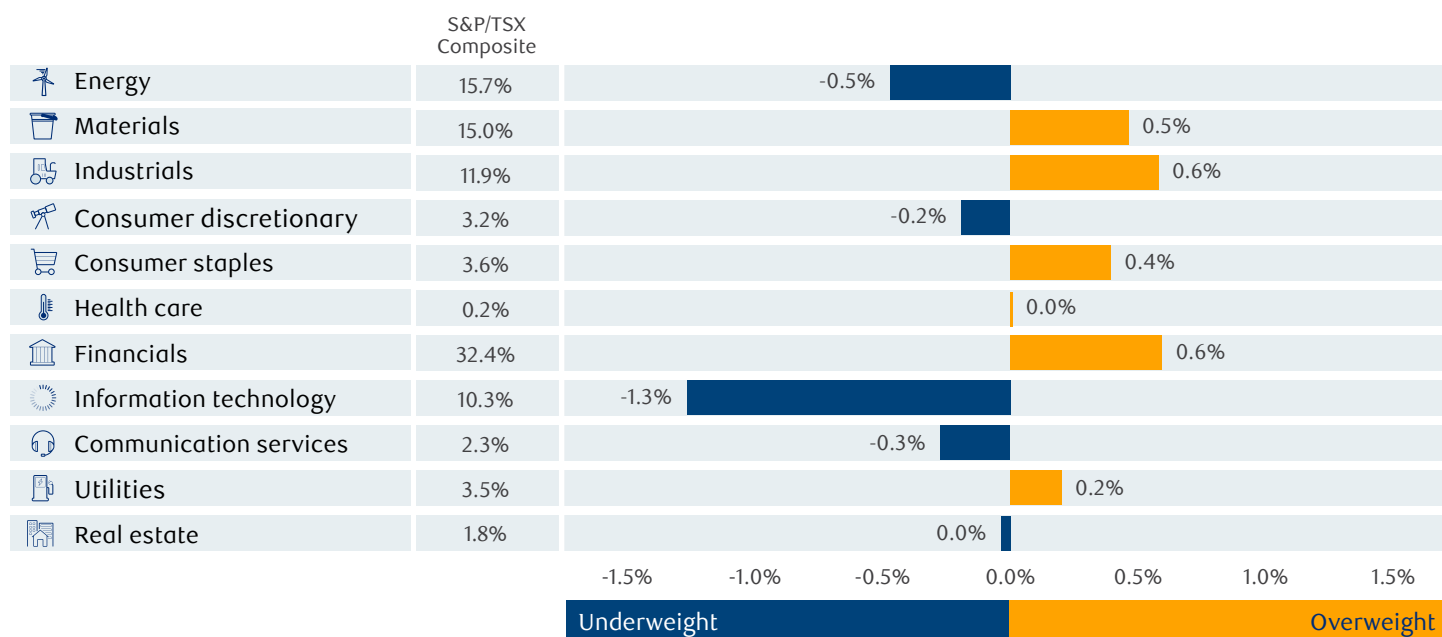
Over the past three months, financial markets have been buffeted by mounting geopolitical tensions and continued uncertainty regarding U.S. trade policy. While questions remain about the longer-term economic impact of U.S. tariffs and their impact on trade flows, the North American economy has so far remained resilient. Trade agreements have been reached between the U.S. and many of its key trading partners, reducing the risk of extreme outcomes that were priced into equity markets earlier this year. However, Canada hasn't reached agreement with the U.S., casting a pall over the Canadian economy and raising concern that a renegotiation of the USMCA continental trade deal slated for next year could be contentious. U.S. tariffs remain on key Canadian goods including steel, aluminum and autos. Canadian equities have performed well against the unsettled backdrop, supported by expectations for higher earnings driven by rising gold and base-metals prices and a better outlook for domestic banks. The S&P/TSX climbed to all-time highs at the end of August and is up 17.6% so far this year. The Information Technology sector made a strong contribution, as Shopify, whose 5.8% weight ranks second in the index, extended gains in line with global technology stocks.

Investors in artificial intelligence (AI) and its users have been fascinated by the progress and prospects for AI. Canada's stock market has less AI exposure than the technology-heavy U.S. market. As AI applications broaden, the potential to enhance productivity and profitability across multiple industries is becoming an increasingly important driver for corporate growth and equity markets such as Canada's.

Canada's new prime minister, Mark Carney, has been addressing trade tensions and advancing a resource and infrastructure agenda, and in so doing reversing part of his predecessor's green legacy. The One Canadian Economy Act, passed in June, aims to reduce barriers to free trade and labour mobility across provinces and accelerate approval of major resource and infrastructure projects. The energy, mining and construction industries could benefit from a new commitment to get projects approved and built, while the broader economy and Financials sector may gain from stronger labour demand and increased finance activity.

Analysts expect Canada's economy will grow at a below-trend rate of 1.3% in 2025 and 2026, restrained by trade uncertainty. U.S. GDP growth expectations are also muted at 1.6% for 2025 and 1.7% for 2026, and weak U.S. growth tends to be a drag on Canada's economy given its dependence on U.S. trade. The Bank of Canada (BOC) noted in July that the impact of the tariffs and trade uncertainty remains a headwind to the Canadian economy. Inflation has been slightly higher than the

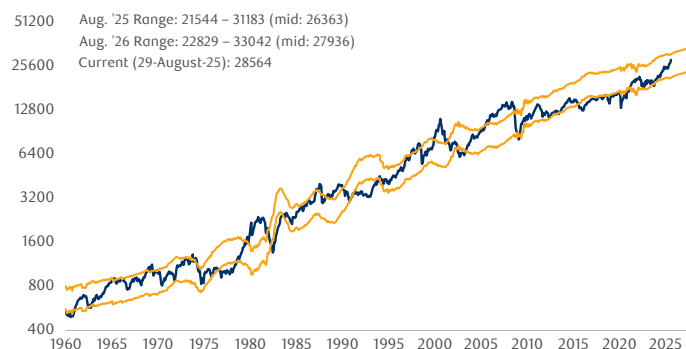
Canada – Recommended sector weights



Note: As of August 29, 2025. Source: RBC GAM

“The S&P/TSX Composite Index climbed to all-time highs at the end of August and is up 17.6% so far this year.”

S&P/TSX Composite Equilibrium Normalized earnings and valuations



Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index. Source: RBC GAM

BOC's 2% target, and central-bank officials have suggested that tariffs could push up inflation. As a result, the BOC opted to hold interest rates steady at 2.75% in July but signaled that it may need to lower rates in the fall if the Canadian economy doesn't improve.

The positive equity moves have resulted from strong earnings-growth expectations for the S&P/TSX. Consensus profit estimates have been raised throughout the year, with earnings currently expected to expand by 12% in 2025 and by another 13% in 2026. Even with the cautious economic backdrop, earnings growth is expected to come from the Materials, Financials and Information Technology sectors. The S&P/TSX currently trades at 16.7 times next year's earnings, higher than the 15.0 long-term average, due partly to the increasing weight of Information Technology and Industrials companies in the index. The S&P/TSX trades at a significant discount to the S&P 500, which is valued at 23 times forward earnings because of the U.S. market's significant exposure to highly valued technology stocks.

The Canadian bank index rose 13% over the past three months, outperforming the S&P/TSX by 3.5 percentage points. Strong third-quarter results, driven by better revenues and lower credit losses, led to a 2% increase in forward earnings-per-share estimates. Globally, banks have led stock markets this year as investors bet that economic growth will accelerate. Canadian banks' multi-faceted business models have offered stability during volatile financial periods. The consensus expectation is for aggregate earnings per share at the Big 6 Canadian banks to rise 11% in 2025 and 9% in 2026. We are increasingly optimistic about credit quality, loan growth and capital-markets activity in 2026. Returns on equity (ROE) vary significantly among Canadian banks, with some nearing their target levels while others lag due to subdued earnings in key business lines. Relative performance for the rest of the year and into 2026 will hinge on the progress

that individual banks make in improving their ROEs. Capital levels remain healthy, with many banks renewing buyback programs. The banks as a group trade at 12.5 times earnings, above their historical averages, and reflect optimism about earnings growth and improving returns.

Gold rallied 31% this year through August of this year, reaching all-time highs as inflation concerns, a weakening U.S. dollar, elevated geopolitical tensions and increased demand from central banks pushed the price to about US\$3,400 per ounce. The direction of gold prices will depend on where these factors go in the months ahead. Continued central-bank purchases will likely provide some support for gold as they continue to diversify away from Treasuries. Gold equities have gained 74% this year. Producers have exhibited a high degree of capital discipline even in a high-price environment, benefiting the related equities. The free-cash-flow impact on Canada's gold companies has enabled them to significantly reduce debt, as well as increase dividends and stock buybacks. We expect producers' operations to improve for the remainder of the year as companies continue to focus on protecting profit margins in the event that gold prices fall back. We see the potential for increased mergers and acquisitions among gold companies given the desire to secure ore reserves and control costs.

Canadian energy stocks are up 8% so far this year led by integrated energy companies. Infrastructure companies have gained on rising demand for natural gas tied to the immense amounts of power needed to operate new data centres. Smaller-cap energy producers have lagged, with oil prices down 11% and natural-gas prices falling 17%. Canada's producers continue to remain disciplined as capital spending and cost controls can generate modest free cash flow at US\$60 per barrel, supporting stable production and dividend payments.



Regional outlook – Europe



Elma de Kuiper

Portfolio Manager,
RBC Global Asset Management (UK) Limited

European equities started 2025 with a bang, thanks to a combination of record-low valuations, the impact of Trump's combative approach to geopolitics and unprecedented German fiscal stimulus, as well as the potential for supportive monetary policy. In a rare period of outperformance, European stock markets outstripped the rest of the world. European equities returned 10.6% in euro terms in the eight months ended August 31, 2025, exceeding returns on the S&P 500 Index by 14.2 percentage points in U.S. dollar terms and the MSCI World Index by 11.2 percentage points. However, all of the outperformance occurred at the start of the year, as the MSCI Europe Index underperformed the S&P 500 by 5.8 percentage points in the three-month period ended August 31. Investors soured somewhat on Europe as trade uncertainty mounted, European GDP growth hit a soft patch in part due to euro strength, and the technology-led growth stocks that dominate U.S. indexes recovered versus the “value” stocks that tend to populate Europe's share exchanges.

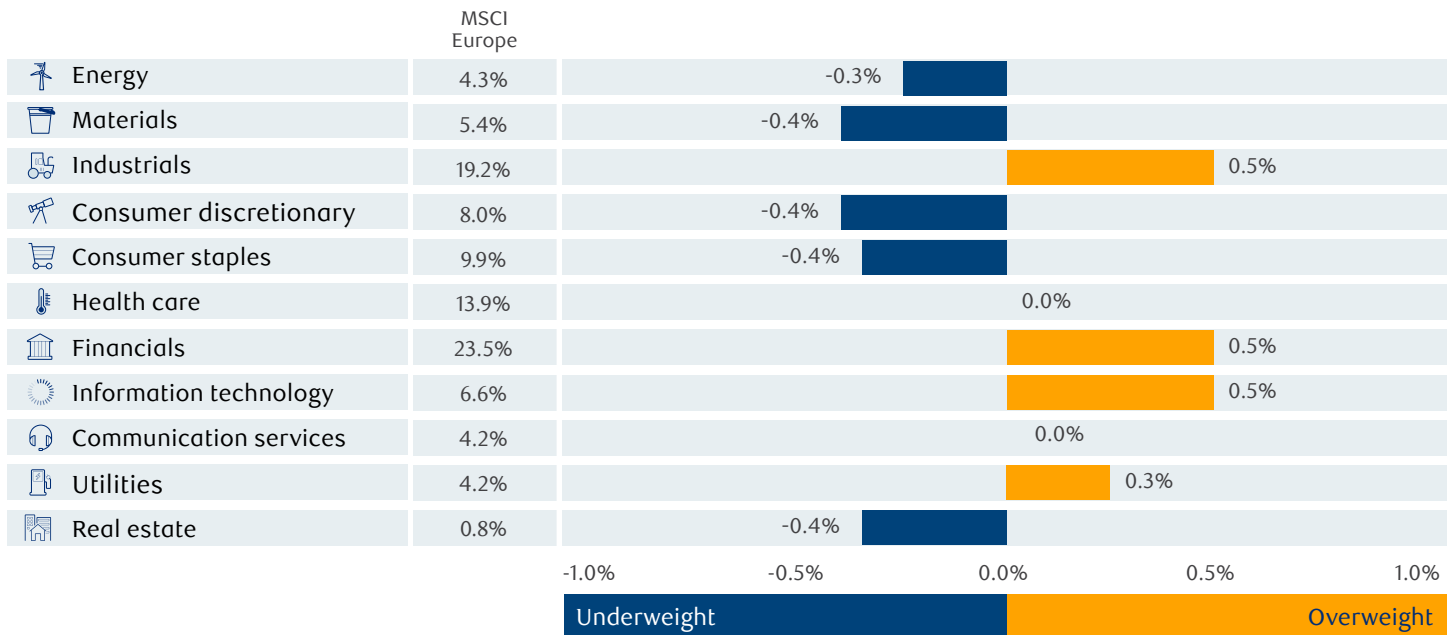
That investors are cooling on Europe is understandable, as the reasons for long-term caution have not dissipated. Europe remains a technology laggard, and many of its economies are hampered by large government bureaucracies and regulation. Moreover, some of Europe's important markets are stretched fiscally, making continued government stimulus harder to come by, and an aging population means that there are fewer workers to pay the taxes that support

government services. The EU is slow moving when it comes to enacting meaningful policy changes that would reverse these trends.

So, what arguments support our maintaining a European overweight? In a nutshell, the reasons why we turned so positive on Europe earlier in the year still stand, and economic data buttressing our view continues to hold up remarkably well. Driving the data are supportive monetary policy, Germany's game-changing fiscal bazooka, relative political stability and attractive valuations. Almost as important for the medium term are meaningful supply-side reforms that will bolster productivity, particularly in Germany, and a European Commission that is trying to reduce regulation and open the door to more cross-border mergers and acquisitions.

It is important to remember that European equity markets have delivered healthy returns even in years of near-zero GDP growth. Europe's largest companies are diversified geographically and have been able to utilize their strong intellectual property and other competitive advantages to deliver attractive shareholder returns. We should not underestimate the negative impact that the new U.S.-led trade regime could have on exporters, especially if they lead to euro strength.

Europe – Recommended sector weights

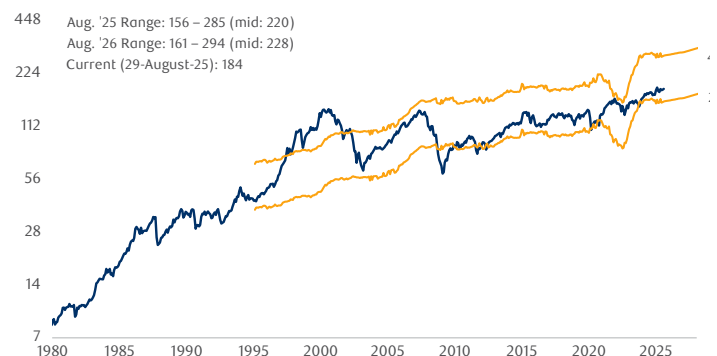


Note: As of August 29, 2025. Source: RBC GAM

“European equities started 2025 with a bang, thanks to a combination of record-low valuations.”

MSCI Europe Index Equilibrium

Normalized earnings and valuations



Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index. Source: RBC GAM

These are some of the bright spots that we would like to point out:

1. **Banks and insurance:** European banks have undergone significant restructuring since the financial crisis and are now characterized by healthy balance sheets when measured by capital ratios, returns on equity and non-performing loans. The rise in interest income in recent years has helped bolster returns, but banks should still perform well if interest rates start to come down, as loan growth would likely ramp up. There is the additional angle of increased potential for cross-border M&A, though this is meeting resistance from national governments.
2. **Defence:** This area has been one of the equity-market outperformers this year as money pours in. While already on an upswing prior to President Trump's re-election, most European countries have since committed to a 5% defence-spending target that was inconceivable less than a year ago. There is increasing talk now of whether the 'defence trade' is over. In our view, future gains will depend on earnings growth coming through after the jump in valuations that recently took place.
3. **German industry and infrastructure:** Germany is Europe's second-strongest equity market so far this year, beaten only by Spain. Germany, a manufacturing-heavy country, has been held back by its slow to pivot to services. The country's large auto industry has lagged in the face of increasing competition from China, particularly for hybrid and electric vehicles. However, the government's investment spending on defence and a broader commitment to infrastructure should gradually kick in, and many economists expect an upswing in economic growth beginning next year. Further supply-side reforms, while less tangible in the near term, should improve German competitiveness and economic growth over the medium to long term. Germany's fiscal increase is still set to contribute meaningfully to Europe's earnings growth in 2026, as the spending is phased in over several years.
4. **Telecommunications:** After years of almost no growth, the industry could benefit from a wave of consolidation that would reduce competition and enable companies to raise prices more easily.

In general, macroeconomic data has held up well. In 2025, the eurozone purchasing managers' index recovered above the 50-level threshold that separates expansion from contraction. The expansion is, however, fragile, and domestic factors contribute substantially to the lacklustre performance. Services are still struggling, particularly in France. The German ZEW financial experts survey, a measure of macroeconomic conditions, has swung wildly, with expectations plunging in April on trade concerns, and recovering as tensions eased. The fiscal-stimulus announcements created great optimism for Europe's economic performance, and the stock markets of Spain and Germany have performed exceptionally so far this year, with 27% and 20% increases, respectively.

There are green shoots for European consumers. Inflation-adjusted incomes have been recovering from the surge in food and energy inflation that hit after Russia invaded Ukraine in 2022. While nominal wage growth has slowed, real incomes should continue to rise by about 2%. Consumer spending has lagged behind real income gains, which means European consumers have strong balance sheets. We see signs that they are starting to pick up their spending helped by the reductions in the European Central Bank's (ECB) benchmark interest rate, which now sits at 2%. It is clear that lower policy rates are filtering through to the economy: the money supply is pointing up and the number of mortgages taken out by eurozone households is rising.

One weak spot is France, whose budget deficit, the highest in Europe, precludes meaningful fiscal stimulus at a time when the economy could benefit from increased government spending. France's deficit has risen in the last couple of years and stood at 5.8% in 2024. The IMF's April forecasts show France with the highest G7 deficit between 2026-2030, above 6%. The government of former Prime Minister Francois Bayrou tried to cut the deficit but faced difficulty tightening fiscal policy due to a gridlocked National Assembly. Bayrou's ouster this month represented the second government collapse in a year. France's debt burden is currently lower than Italy's, but the countries are forecast to converge in this area. Under the IMF's net-debt forecast, France's debt is set to keep rising to 120% in 2030, whereas Italy's should be broadly stable at 129% in 2030. Profit growth in Europe has continued to lag the U.S., with median earnings-per-share growth in Europe at 3% year over year in the second quarter, versus 8% for the U.S. The main drag on earnings growth in Europe has come from the autos and energy sectors, and euro strength has also been a headwind, particularly for companies that rely on exports.

Still, 60% of companies beat earnings estimates, surprising positively by 3%. Eurozone earnings will meaningfully accelerate in the latter half of 2025 and into 2026, based on consensus earnings estimates. Corporate profits could rise 12% in 2026 from 1.7% this year. This outlook aligns with our view that stimulus measures will start to feed through to company earnings. The main potential spanner in the works would be continued euro strength. Any reversal of the currency strength seen in the second quarter of the year would be a welcome tailwind for earnings. Trade uncertainty has been a hindrance, but not a disaster. We assume that a conservative 50% fall in U.S. sales due to tariffs would translate to a 1% decline in total eurozone sales and a 3% to 4% reduction in earnings-per-share growth. Profit estimates have already come down substantially since the start of the year, so varying tariff scenarios may already be largely reflected in estimates.

With macroeconomic data holding up well and trade uncertainty reduced, we continue to expect good performance for Europe for the rest of 2025. Stocks that depend on domestic sales are poised to outperform given euro strength, and we therefore believe it is appropriate to be positioned more defensively than at the start of the year. Areas including banks, insurance, telecommunications and the Utilities sector look like bright spots. We would be cautious on stocks tied to consumer spending and favour German industrials and infrastructure as they continue to benefit from substantial German economic stimulus. We favour Spain and Italy, which are still enjoying a benign economic backdrop, versus France, which has limited room for budgetary stimulus.



Regional outlook – Asia



Chris Lai

Portfolio Manager
RBC Global Asset Management (Asia) Limited

Asian equities posted moderate gains over the past three months, slightly outperforming global markets. Stocks traded on exchanges in South Korea, Hong Kong, China and Taiwan outperformed, while Malaysia and India underperformed.

South Korean markets performed particularly well given new President Lee Jae Myung's economic-stimulus measures and the political stability that he has brought since being elected to the post in June. Moreover, South Korean exports have shown resilience in the face of U.S. tariffs. The Chinese and Hong Kong stock markets were strong given improvements in economic data after increased government spending. Taiwan's stock market benefited from the country's position as the top producer of semiconductors used in devices that power artificial intelligence. India's market was a notable underperformer amid weaker macroeconomic data and the central bank's decision to pause interest-rate cuts in order to support the country's weakening currency.

In our view, higher U.S. tariffs and weaker global growth are likely to sharply slow Asia's export and growth in capital expenditures for the remainder of 2025. Trade-dependent economies such as Thailand, Singapore, Taiwan and South Korea are most vulnerable, while India, Australia and the Philippines, which rely less on exports, are more insulated. China's economy is at risk of slowing, as exports were bolstered earlier this year by foreign businesses purchasing as much as possible before U.S. President Trump's tariffs

kicked in. Chinese consumption is also at risk given that the Chinese government is implementing an anti-corruption and austerity drive that will be accomplished in part by cracking down on taxpayer-funded dining by government employees.

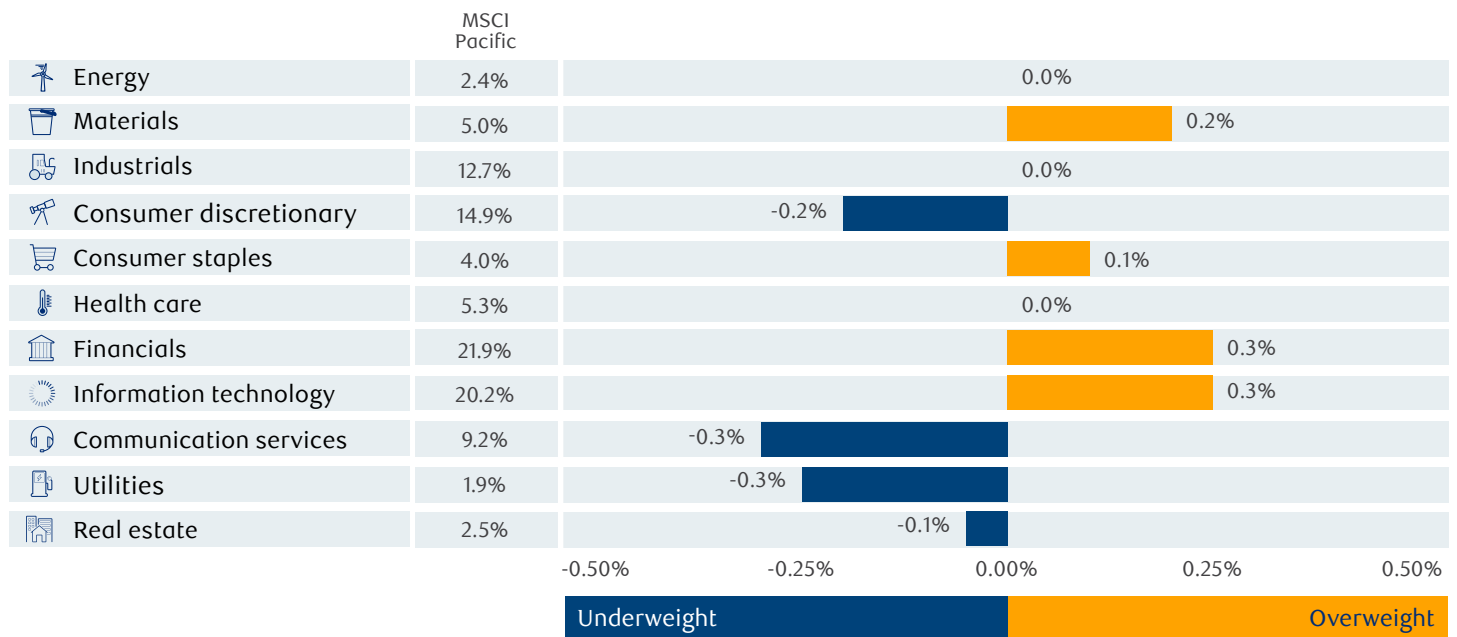
Japan

In Japan, we forecast that real (inflation-adjusted) GDP growth will slow to 0.8% in 2025 and 0.6% in 2026, reflecting the drag from U.S. tariffs, particularly on the auto and related industries. In July, Japan reached a deal that sets tariffs at 15%, largely in line with market expectations. We continue to see robust domestic demand in real estate, information-technology services and consumer spending, supported by wage growth and labour shortages.

The Bank of Japan (the BOJ) kept its policy rate unchanged at 0.5% in July, a move that was widely expected by investors. The BOJ will probably put off further rate hikes until it can get a better picture of the health of the domestic economy, as well as the direction of U.S. rates and the yen.

In July elections, the ruling Liberal Democratic Party and its coalition failed to retain their majority in one of the two chambers of Japan's parliament. Confidence in Prime Minister Shigeru Ishiba remains relatively low as Japan navigates the U.S.-led trade war against China, the economic slowdown and growing discontent among workers and young people over declining living conditions.

Asia – Recommended sector weights

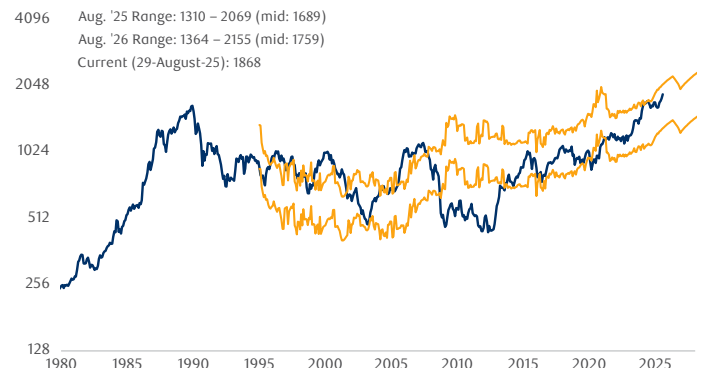


Note: As of August 29, 2025. Source: RBC GAM

“In Japan, we forecast that real (inflation-adjusted) GDP growth will slow to 0.8% in 2025 and 0.6% in 2026, reflecting the drag from U.S. tariffs.”

MSCI Japan Index Equilibrium

Normalized earnings and valuations



Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index. Source: RBC GAM

China

In China, GDP growth accelerated to 5.3% in the first half of 2025, indicating that the economy is now on a stronger footing. There are emerging signs that the U.S.-China relationship is stabilizing, as well as reports that Trump and Chinese leader Xi Jinping may agree to meet in person later this year. Meanwhile, China is transitioning to “high-quality” growth as the economy moves away from its dependence on infrastructure to a focus on consumption, urbanization and advanced technology. The government has also launched a campaign to foster competition, reduce excess manufacturing capacity and stabilize prices. A larger fiscal push has added select infrastructure projects including the controversial 1.2 trillion renminbi (C\$235 billion) hydropower dam project in Tibet, which started construction last month. The latest push to modernize China’s economy will limit near-term growth given that it will entail capacity cuts, industry consolidation and layoffs. However, it should be beneficial in the long term as it promises to lift productivity and improve the balance between supply and demand. China this time aims to get its economy on the road to a market-oriented approach, and the goal differs from centralized supply-side reforms in 2015.

India, Australia, Taiwan

In India, we see a moderation in GDP growth and inflation, opening up space for more monetary policy easing in this year’s fourth quarter. Consumption and investment indicators remained soft in the second quarter of 2025 and exports weakened given that U.S. tariffs had prompted

many businesses to accelerate their purchases. Meanwhile, government investment in infrastructure remains robust. At the same time, elevated global uncertainty and competition from cheap Chinese imports are weighing on the recovery in private capital expenditures. We forecast GDP growth of 6.3% in 2025 compared with 6.7% in 2024. We remain positive on India’s medium-term outlook amid growing anecdotal evidence of trade and supply chains shifting to India from China.

For Australia, we forecast modestly below-trend growth and two more interest-rate cuts by the central bank. Domestic demand was strong in the second quarter of this year on the back of household spending. Nevertheless, growth should stay somewhat below trend in the near term, reflecting the sub-par global backdrop, restrictive monetary policy and moderating population growth. Offsetting these negatives will be expansionary fiscal policy and the feel-good effect on consumption of higher stock prices. In this context, we anticipate a small rise in the unemployment rate.

Taiwan’s economy is estimated to have expanded 4.9% in the first half of 2025, which is expected to slow sharply to 1% in the latter half of the year. The marked drop-off in growth reflects the front-loading of exports of server-related products for artificial intelligence. The domestic landscape appears mixed, as strong investment in capital-goods imports stands against soft consumption indicators such as retail sales and tariff uncertainty.



Regional outlook – Emerging markets



Laurence Bensafi

Managing Director and Portfolio Manager,
Deputy Head of Emerging Market Equities,
RBC Global Asset Management (UK) Limited

Emerging-market equities have for the most part more than recovered from the broad sell-off that occurred after U.S. President Trump announced sweeping global tariffs in early April. The MSCI Emerging Markets Index added 19.0% for the year to the end of August in U.S. dollars. The rebound came after Trump delayed implementing tariffs and reduced some. The U.S. dollar fell 10.6% and there is the potential for further weakness as the dollar Index is still about 20% overvalued based on purchasing power.

The tariffs saga has spotlighted U.S. dependence on imports from several emerging-market countries and has led to what investors are calling the TACO effect: “Trump always chickens out.” TACO occurs when the negative impact of tariffs on the U.S. economy becomes too damaging to ignore, for example in China’s control over rare earths and electronics. The high levels of the U.S. debt and deficits, coupled with a weaker U.S. dollar and the sometimes erratic decision-making process of the Trump administration, has led to some investors to call for the end of the dollar as the reserve currency and potentially the end of U.S. leadership in financial markets. While it may be too early to conclude that we’ve reached that point, it’s clear that there is a deterioration in the relationship between the U.S. and many countries including some of its closest allies.

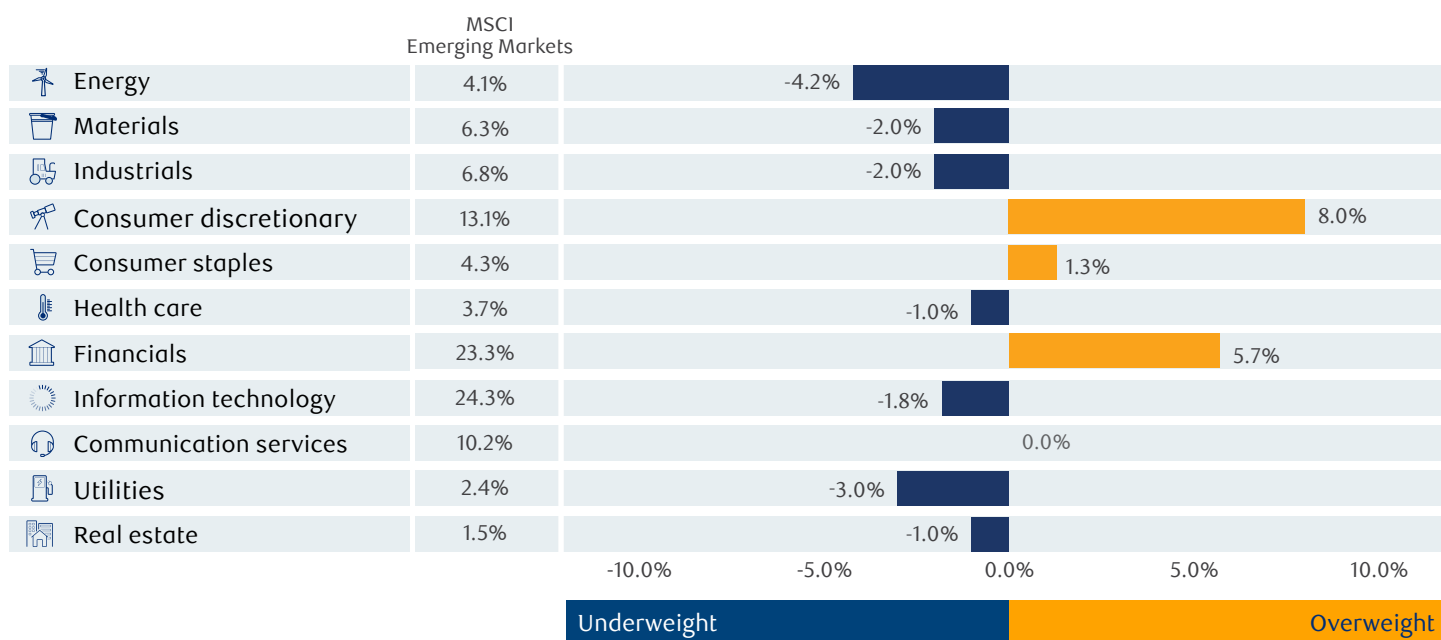
South Korea and Taiwan performed particularly well over the past three months, reflecting their unique position in the manufacturing chain for artificial intelligence. Servers used by Meta Platforms, the owner of Facebook, and Amazon

utilise servers and chips produced in the region. As a result, Taiwanese industry-leading semiconductor makers have benefited. South Korean stocks have also recently gotten a boost given the implementation of much more business- and market-friendly policies. For both countries earnings and growth comes primarily from the Information Technology sector.

Mexico’s stock market was also resilient over the past few months, as President Sheinbaum has won praise for her handling of tariff negotiations with Trump, leading to optimism that manufacturing links between the U.S. and Mexico will be preserved.

Chinese equities have also done well, with stocks jumping 14% in U.S.-dollar terms in the three months ended August 31, 2025. China is one of the few countries that has been standing up to the U.S. as the Chinese believe that the U.S. is more dependent on Chinese products than the other way around. Rare-earth minerals and electronic products are essential

Emerging markets – Recommended sector weights

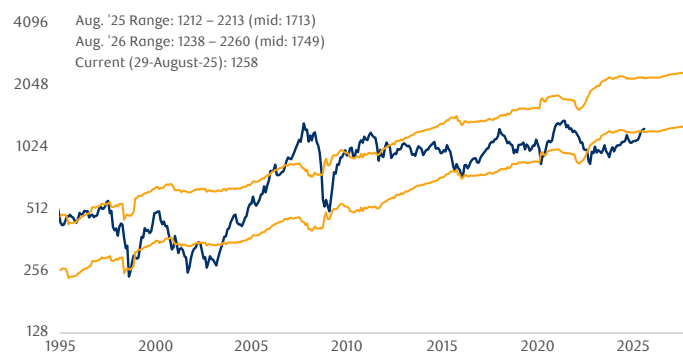


Note: As of August 29, 2025. Source: RBC GAM

“Valuations are not as attractive as they were earlier this year, and we will need to see better earnings growth in the coming years to improve the odds of sustained returns.”

MSCI Emerging Markets Index Equilibrium

Normalized earnings and valuations



Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index. Source: RBC GAM

and can't be replaced by production elsewhere anytime soon. The situation has been made worse for the U.S. by the fact that China has been preparing since the Trump's first trade war in 2017, which prompted many Chinese businesses to locate manufacturing capabilities outside China. It appears that many goods manufactured outside China by Chinese companies are making their way to the U.S.

The major economy that has lost out the most since Trump came to power is India. Returns have stumbled in recent quarters after several years of incredible stock-market performance and a large rise in valuations triggered by economic reforms. The economy began to soften last year as the government slowed major infrastructure projects, and poor stock-market performance was triggered in part by a slowdown in local portfolio investments. More recently, a lack of bargaining power with the U.S. over trade and a close relationship with Russia has led to potentially high tariffs for the country. The direct impact is relatively small on the mostly domestically driven economy, but high valuations remain a challenge for Indian stocks. We have turned more cautious on Indian stocks and expect further underperformance in the short term.

The Information Technology sector remains the best performing, and now represents 25% of the emerging-market index and is the biggest sector in the benchmark. Consumer-oriented companies continue to lag as inflation remains an issue in most emerging markets, with China being the only country to experience disinflation due to weak demand at the retail level. Earnings growth for technology companies will in our view remain the highest in 2025, and the huge

gap in valuations with developed markets continues to look extreme. We expect earnings estimates to be raised amid recently announced record earnings and increased capital expenditures. Overall, we remain positive on the Information Technology sector but have been selective in our stock-picking after a strong run.

Valuations for emerging-market equities have become somewhat stretched during the rally and some measures are now above their long-term averages. The price-to-book-value ratio sits at 1.9 and the price-to-earnings ratio is at 13 forward 12-month earnings, up from the long-term average of 11.4. Valuations have increased, however, as earnings have lagged stock gains. Nevertheless, emerging-market equities remain much cheaper than developed-market equities. We also continue to look favourably on efforts by emerging markets to focus more on equity-market returns. Two of the largest emerging markets, China and South Korea, have taken actions that could drive up valuations in the coming years.

Emerging-market equities have so far overcome the trade and psychological barriers presented by Trump's trade war given a realization that the impact will likely be limited for most countries. The weaker U.S. dollar has been beneficial to recent performance, and history shows that additional weakening in the greenback would be positive for emerging-market equities. Valuations are not as attractive as they were earlier this year, and we will need to see better earnings growth in the coming years to improve the odds of sustained returns. The recent reforms by the Chinese and South Korean governments, Taiwan's dominant position in chip technology and the trade war together may be catalysts for continued outperformance versus developed markets.

RBC GAM Investment Strategy Committee

Members



Dagmara Fijalkowski, MBA, CFA

Managing Director & Senior Portfolio Manager,
Head of Global Fixed Income & Currencies
RBC Global Asset Management Inc.
Chair, RBC GAM Investment Strategy Committee

Dagmara is a Managing Director and Senior Portfolio Manager at RBC GAM Inc., as well as the Head of the RBC Global Fixed Income and Currencies team, which is composed of over 40 investment professionals based in Canada and the U.K. In her role as a portfolio manager, Dagmara oversees several bond funds, including the RBC Bond Fund, and is responsible for foreign-exchange hedging and active currency overlay programs. She leads the Fixed Income Strategy Committee, which determines appropriate risk levels for various fixed income market opportunities. Additionally, Dagmara chairs the RBC Investment Policy Committee and the RBC Investment Strategy Committee, which set the asset mix for RBC GAM's suite of balanced products. She began her career as a fixed income analyst with RBC GAM in 1997 and has been a member of the GAM Leadership Committee since 2016.

Dagmara, who began her investment career in 1994, holds an MBA from the Richard Ivey School of Business at Western University in Canada and a Master's degree in economics from the University of Lodz in Poland. Dagmara has been a CFA charterholder since 1997.

*AUM in CAD as of August 29, 2025



Daniel E. Chornous, CFA

Global Chief Investment Officer
RBC Global Asset Management Inc.

Dan Chornous is Global Chief Investment Officer of RBC Global Asset Management Inc. (RBC GAM), the Royal Bank of Canada's wholly-owned investment management subsidiary. The firm manages assets nearing (CAD) \$756.3 billion* for institutional, high net worth and individual investors in fixed income, equity and alternative mandates in Canada and around the world. Since joining RBC GAM in November 2002, Dan has been responsible for the overall direction of investment policy and asset management across the firm's global investment platform. Prior to that, Dan was Managing Director, Capital Markets Research and Chief Strategist at RBC Capital Markets.

Dan joined the RBC Global Asset Management board immediately upon his arrival at the firm. In December 2010, Dan joined the board of BlueBay Asset Management following its merger with RBC GAM. He also sits on the board of RBC Global Asset Management (UK) Ltd., is a member of the RBC Pension Investment Strategy Committee and chaired the RBC GAM Investment Strategy Committee (RISC) among others. For many years, Dan has been active in the Canadian investment community. He served on the board of the Canadian Coalition for Good Governance from 2008 to 2020 and as its chair from 2012 to 2016. In addition, he is a member of CFA Society Toronto Advisory Council, a past member of the Toronto United Way major giving cabinet, a former Director of the Toronto Society of Financial Analysts and of the Winnipeg Society of Financial Analysts.

Dan is a graduate of the University of Manitoba (B. Comm, Honours, 1980) and is a member of The Associates, Asper School of Business. In 1985, Dan was awarded the Chartered Financial Analyst designation.



Soo Boo Cheah, MBA, CFA

Managing Director &
Senior Portfolio Manager
RBC Global Asset Management (UK) Limited

Based in the U.K., Soo Boo is responsible for managing global fixed-income allocations. He specializes in assessing the impact of central bank policies and global macroeconomic trends on developed-market bonds. In his role as a senior portfolio manager, he integrates a wide range of investment strategies involving interest rates, currencies, and derivatives. Soo Boo started his career in the investment industry in 2000 and holds an MBA from University of New Brunswick. Soo Boo has been a CFA charterholder since 2002.



Irene Fernando, MBA, CFA

Managing Director & Senior Portfolio Manager
Co-Head North American Equities
RBC Global Asset Management Inc.

Irene is a senior portfolio manager and co-leads the North American Equity team. Irene started at the firm in 2007 as a member of the Wealth Management Generalist program. Prior to joining RBC, Irene was employed as an analyst at a multi-national investment bank. After the Generalist program she joined the RBC North American Equity Team as a research analyst covering Canadian equities, with a focus on the Financials and Real Estate sectors. She was named Associate Portfolio Manager in 2014, Portfolio Manager in 2016, and Senior Portfolio Manager in 2022. She was named co-head of the North American Equity Team in 2025. Irene earned a Bachelor of Commerce from the University of Toronto and is a CFA Charterholder.

**Stuart Kedwell, CFA**

Managing Director & Senior Portfolio Manager
Head of Equities
RBC Global Asset Management Inc.

Stu leads the Equities team and is a member of the RBC GAM Investment Strategy Committee, which is responsible for establishing the firm-wide global asset mix for mutual funds and for institutional and high net worth private clients. Stu began his career in 1996 with RBC Dominion Securities in the firm's Generalist program, a two-year internship in which participants rotate through different areas of the firm. In 1998, he joined the RBC Investments Portfolio Advisory Group, which provides investment ideas and recommendations to RBC DS Investment Advisors. He was also a member of the RBC DS strategy & focus list committees. Stu has been with the firm since 2002 and is a CFA charterholder.

**Eric Lascelles**

Managing Director &
Chief Economist
RBC Global Asset Management Inc.

Eric is the Chief Economist for RBC Global Asset Management Inc. (RBC GAM) and is responsible for maintaining the firm's global economic forecast and generating macroeconomic research. He is also a member of the RBC GAM Investment Strategy Committee, the group responsible for the firm's global asset-mix recommendations. Eric is a frequent media commentator and makes regular presentations both within and outside RBC GAM. Prior to joining RBC GAM in 2011, Eric led a team of economists and fixed income strategists at another large Canadian financial institution. He began his career as a research economist for a federal government agency.

**Scott Lysakowski, CFA**

Managing Director & Senior
Portfolio Manager, Head of
Canadian Equities (Vancouver)
RBC Global Asset Management Inc.

Scott is Head of the Vancouver-based Canadian Equity Team. He is primarily responsible for overseeing equity research and portfolio management of the firm's core Canadian equity strategies. Scott also serves as lead manager for the Canadian income strategies. Scott began his investment management career with the firm in 2002 as a senior research analyst and portfolio manager within the Toronto-based Canadian Equity Team. He transitioned to the Vancouver team seven years later and assumed his current leadership role in 2012. During his tenure with the organization, he has conducted research for and managed a broad spectrum of Canadian equity portfolios, specializing in dividend and income mandates.

**Hanif Mamdani**

Managing Director &
Head of Alternative
Investments
RBC Global Asset Management Inc.

Hanif Mamdani is Head of both Corporate Bond Investments and Alternative Investments. He is responsible for the portfolio strategy and trading execution of all investment-grade and high-yield corporate bonds. Hanif is Lead Manager of the PH&N High Yield Bond and Alternative strategies, including a multi-strategy hedge fund. He is also a member of the Asset Mix Committee. Prior to joining the firm in 1998, he spent 10 years in New York with two global investment banks working in a variety of roles in Corporate Finance, Capital Markets and Proprietary Trading. Hanif holds a master's degree from Harvard University and a bachelor's degree from the California Institute of Technology.

**Bryan Mascoe, CFA**

Managing Director & Senior
Portfolio Manager, Co-Head Fixed
Income (Vancouver)
RBC Global Asset Management Inc.

Bryan is co-Head and a senior portfolio manager on the PH&N Fixed Income Team. He co-manages the investment-grade credit research effort. As part of this role, he manages our dedicated corporate bond portfolios and is responsible for performing credit analysis on investment-grade issuers. He also assists with the strategy and trade execution of corporate bonds held in broader short, universe, and long fixed-income mandates. Bryan has a Bachelor of Commerce degree from the University of British Columbia and is a Leslie Wong Fellow as a graduate of the UBC Portfolio Management Foundation. He has been a CFA charterholder since 2005.

**Daniel Mitchell, CFA**

Managing Director & Senior Portfolio Manager,
Global Fixed Income & Currencies
RBC Global Asset Management Inc.

Dan is a Managing Director and Senior Portfolio Manager on RBC GAM's Global Fixed Income and Currencies team. He joined the firm in 2004 as a fixed income analyst helping to identify investment opportunities in Canadian bond markets. Dan transitioned to currency markets in 2006 in order to build out the infrastructure required to manage foreign exchange on a large scale and later became a member of the active currency management team as a portfolio manager. He oversees the currency hedging program and is responsible for tactical currency overlay strategies employed in fixed income, equity and balanced portfolios.

Dan graduated from Dalhousie University with a bachelor's degree in commerce and has held the Chartered Financial Analyst designation since 2007.

**Sarah Neilson, CFA**

Managing Director & Senior Portfolio Manager
Co-Head North American Equities
RBC Global Asset Management Inc.

Sarah is a senior portfolio manager and co-leads the North American Equity team at RBC Global Asset Management (RBC GAM). Sarah joined the firm in 2004 as a member of the Wealth Management Generalist program, where she spent a year with the RBC Dominion Securities portfolio advisory group covering income trusts and then completed a rotation as an analyst with the U.S. portfolio management team. Upon completing the Generalist program, Sarah joined the RBC Dominion Securities portfolio advisory group where she worked for two years in Canadian equities. In 2008, Sarah joined RBC GAM as a research analyst covering Canadian equities with a focus on the Energy sector. She was named Associate Portfolio Manager in 2014, Portfolio Manager in 2016, and Senior Portfolio Manager in 2022. She was named co-head of the North American Equity Team in 2025. Sarah earned a Bachelor of Science in Mechanical Engineering at Queens University, and an MBA from McGill University. She was awarded the CFA Charter in 2009.

**Sarah Riopelle, CFA**

Managing Director & Senior Portfolio Manager
Head of Investment Solutions and Platform Talent
RBC Global Asset Management Inc.

Since 2009, Sarah has managed the entire suite of RBC Portfolio Solutions which totals \$180 billion in assets. She is a member of the RBC GAM Investment Strategy Committee, which sets global strategy for the firm, and the RBC GAM Investment Policy Committee, which is responsible for the investment strategy and tactical asset allocation for RBC Funds' balanced products and portfolio solutions. In addition to her fund management role, she works closely with the firm's Chief Investment Officer, ensuring that all aspects of the investment management function at RBC GAM are running smoothly. She is co-chair of the RBC Wealth Management Diversity Leadership Committee – Canada, as well as a member of the Dean's Advisory Board for both the Telfer School of Management at the University of Ottawa and the Faculty of Management at Laurentian University.

Sarah joined RBC Global Asset Management in 2003 and held roles in Investment Strategy and Canadian Equities before assuming her current responsibilities in 2009. Prior to joining RBC GAM, Sarah worked at RBC Capital Markets in both the Quantitative Research and Investment Strategy groups. She began her career in the investment industry in 1996 after graduating from the University of Ottawa with a Bachelor of Commerce degree, majoring in Finance and International Management. She was awarded the Chartered Financial Analyst designation in 2001.

**Eric Savoie, MBA, CFA, CMT**

Senior Investment Strategist
RBC Global Asset Management Inc.

Eric is a senior investment strategist on RBC GAM's Macro Economic and Strategy team. In this role, he constructs and maintains 'top-down' forecasting and valuation models for global fixed income, equity and currency markets. He also analyzes capital markets and macroeconomic data used to drive market forecasts, asset mix, country/regional allocations and sector recommendations for balanced portfolios.

His career in the investment industry began when he joined RBC GAM in 2012. Eric has been working alongside the Chief Investment Officer as well as the Senior Portfolio Manager of RBC Portfolio Solutions since 2013.

Eric earned an MBA in 2011 from the Sprott School of Business and a Bachelor of Engineering in 2010 from Carleton University. He has been a CFA charterholder since 2015 and a CMT charterholder since 2023.

**Kristian Sawkins, CFA**

Managing Director & Senior Portfolio Manager
Co-Head Fixed Income (Vancouver)
RBC Global Asset Management Inc.

Kristian is co-Head and a senior portfolio manager on the PH&N Fixed Income team, specializing in universe and short-term bond mandates. He is also a member of the PH&N IM Asset Mix Committee. Kristian joined Phillips, Hager & North Investment Management in 2002 as an associate analyst with the Canadian Equities Team and moved to the Fixed Income Team in 2005. Prior to joining the organization, Kristian spent three years at a major investment bank in New York across a few different roles. Kristian has a Bachelor of Commerce degree from the University of British Columbia and is a Leslie Wong Fellow as a graduate of the UBC Portfolio Management Foundation. He has been a CFA charterholder since 2002.

**Jaco Van der Walt, DCom**

Managing Director & Global Head of
Quantitative Research & Investments
RBC Global Asset Management Inc.

As Global Head of Quantitative Investments, Jaco leads an experienced team that is driven to continually innovate across all its capabilities, including research, portfolio management, data and systems to leverage the combination of human and machine in investment decision-making. He previously held an executive role at one of South Africa's largest financial services companies, leading the Investment Management Office, with experience spanning pensions, insurance, banking and wealth management. As asset owner, he also chaired the boards and investment committees of several of the company's pension plans, promoting investment excellence and driving transformational change to ensure members reach their retirement goals. Jaco began his investment career in 1996 and holds a Master's degree in Economics from the University of Toronto and a Doctorate from the University of Pretoria.

**Milos Vukovic, CFA**

Managing Director &
Head of Investment Policy
RBC Global Asset Management Inc.

Milos, who joined RBC in 2003, oversees investment-management activities including new-fund launches, performance analytics and trade-cost analysis. He is also responsible for developing and monitoring investment mandates and implementing tactical asset allocation for the RBC GAM investment solutions. Milos earlier worked for a Big 4 accounting firm and two top-tier securities firms. He earned an MBA at the Schulich School of Business and has held the CFA designation since 2004.

**Brad Willock, CFA**

Managing Director &
Senior Portfolio Manager
RBC Global Asset Management Inc.

Brad Willock joined RBC Global Asset Management in July 2002 and is a Senior Portfolio Manager and CFA charterholder. In his current role, Brad has responsibility for RBC Global Asset Management's core and income-oriented U.S. equity strategies. He joined RBC in May 1996 after receiving a bachelor's of commerce degree with distinction from the University of Calgary. Prior to that, Brad obtained a bachelor's of science degree at the University of British Columbia and represented Canada at the 1992 Barcelona Summer Olympics in volleyball.

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