

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:

 <p>The recommended mix of cash, fixed income instruments, and equities.</p>	 <p>The recommended global exposure of fixed income and equity portfolios.</p>	 <p>The optimal term structure for fixed income investments.</p>	 <p>The suggested sector and geographic make-up within equity portfolios.</p>	 <p>The preferred exposure to major currencies.</p>
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Results of the Committee's deliberations are published quarterly in *The Global Investment Outlook*.

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Executive summary



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We forecast an environment of moderate economic growth with inflation subsiding sufficiently to motivate continued interest-rate cuts by the U.S. Federal Reserve (Fed) and foster strong corporate profit growth. We still expect stocks to outperform bonds, but recognize the potential for outsized gains has diminished following this year's strong performance that pushed some valuations to extreme levels.

Important tailwinds support modest growth acceleration in 2026

Slowing growth due to U.S. tariffs and tumbling immigration was partially offset in 2025 by fiscal stimulus and continued interest-rate cuts by central banks. We believe economic growth should accelerate moderately in the year ahead and may pleasantly surprise relative to consensus expectations. Tariff headwinds should fade, and important tailwinds are set to blow. These beneficial forces include

interest-rate cuts, further fiscal stimulus, low oil prices, a positive stock-market wealth effect, further growth in artificial-intelligence (AI) expenditures and the early stages of an AI-driven productivity boost. The U.S. economy should remain among the developed-world's economic growth leaders.

Modest inflation improvement expected in the year ahead

Inflation remains too high in the U.S. and is slightly elevated in several other developed markets due to tariffs and post-pandemic scarring. Our CPI forecasts are slightly above consensus for 2026, reflecting aggressive central-bank easing amid persistent inflation and large fiscal deficits that may encourage higher inflation tolerance.

However, this should still allow year-over-year inflation to peak in spring 2026 and then slowly ease. Several factors support this view: the U.S. labour market is cooling, the tariff impact on inflation is relatively tame, shelter costs are easing and oil prices are low. On the whole, inflation may not fall by quite as much as consensus expectations, but there is room for improvement in the year ahead.

New year could bring renewed U.S.-dollar weakness

The two-year-long fall in the U.S. dollar appears to have temporarily halted, challenging our forecasts that the greenback would continue to decline through 2025 and into next year. The dollar's modest rally since September stems from a view that stronger-than-expected U.S. economic growth and continued technology investments will underpin Treasury yields, at least in the short term. We note that the

dollar is still down by 9% so far this year, and there is good reason to expect a resumption in the greenback's weakness sometime in 2026. Emerging-market currencies, in our opinion, will continue to be the main beneficiary of further U.S.-dollar depreciation given improving fiscal situations and attractive bond yields.

Monetary easing cycle still has room to run

The clock has not yet run out on this monetary easing cycle. We budget for a bit more economic help, both due to the lagged effect of earlier rate cutting and future impact of additional easing to come. The U.S. Federal Reserve (Fed), in particular, can afford to deliver several more rate cuts

as it moves from a restrictive to a neutral stance, and the Fed's recent move to end quantitative tightening is also supportive. The prospect of a more dovish board voting lineup in 2026 supports this view. In our view, the Bank of England also appears to have space for further easing.

Upside is limited in sovereign and corporate bonds

The outlook for medium- and longer-term government-bond yields differs from short-term rates because risk premiums embedded in real yields could keep the U.S. 10-year yield from falling meaningfully from here. Our model argues the 10-year yield should theoretically fall from the current 4.0%, but in practice this depends not just on inflation pressures subsiding, but also on a diminishment in concerns about governments' fiscal health. With governments seemingly content to continue running large deficits, we forecast that government fixed-income assets will deliver coupon or cash-like returns.

The added compensation for taking credit risk is historically small with the gap between government-bond yields and corporate-bond yields at its narrowest since the Global Financial Crisis. That said, conditions for sustained spread widening are not present as corporate default risk is low. The narrow-spread environment could persist, and this phase of the credit cycle is often a lengthy one, especially when recession concerns are relatively subdued.

Equities soared to records but value remains in some areas outside of U.S. megacap stocks

Equity markets ultimately found their footing in 2025 and rewarded investors with strong returns in most major markets. The strong gains mean that valuations have been creeping higher almost everywhere, and the overvaluation story is no longer just a U.S. large-cap phenomenon. The S&P 500 is the most expensive, but equity markets in Canada and Japan are also close to a full standard deviation above their fair values. Stock indices in Europe and emerging markets continue to trade at attractive distances below their fair value.

Profit growth will be increasingly critical to sustaining any further advance in the S&P 500. The good news is that expansion in profit margins has helped to convert modest revenue growth into double-digit earnings growth. If profit margins rise by one percentage point next year, as they did this year and as analysts expect, double-digit profit growth is attainable in 2026. Generating decent returns from here would require the P/E to remain at least 1 standard deviation above equilibrium or for earnings to beat expectations. A positive outcome is certainly possible but given that valuations are historically stretched, the market is vulnerable to any disappointment.

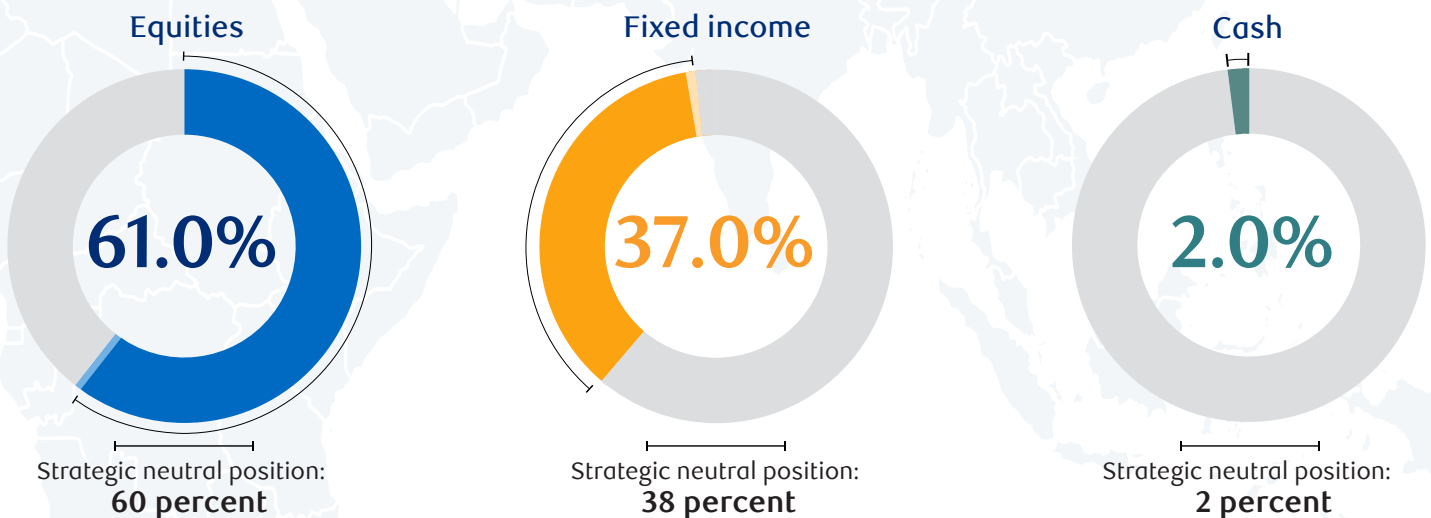
Asset mix – trimming equity overweight and narrowing tilt to non-U.S. regions

Our base case is for moderate economic growth and inflation calming enough to allow the Fed to continue cutting interest rates. Against this backdrop, we expect sovereign bonds to deliver cash-like returns and offer ballast against equity-market volatility should the economy disappoint. We expect stocks will continue to outperform bonds but note that potential for outsized gains has diminished after this year's strong run lifted valuations to extremes in some areas. Accordingly, we have reduced our equity overweight by one percentage point this quarter and placed proceeds in cash.

We also used this opportunity to modify regional equity allocations by increasing U.S. equity exposure, acknowledging that strong momentum in megacap technology stocks could persist. However, we remain underweight U.S. equities given their relatively high valuations. Consequently, we trimmed international equity exposure while maintaining a slight overweight given their relatively appealing valuations. For a balanced global investor, our current recommended asset mix is 61.0% equities (strategic neutral: 60.0%), 37.0% bonds (strategic neutral: 38.0%) and 2.0% cash.

Recommended asset mix

RBC GAM Investment Strategy Committee



Note: As of November 30, 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 [§]	
	New Year 2026	Change from Fall 2025	New Year 2026	Change from Fall 2025	New Year 2026	Change from Fall 2025	New Year 2026	Change from Fall 2025	New Year 2026	Change from Fall 2025	New Year 2026	Change from Fall 2025	New Year 2026	Change from Fall 2025
Real GDP														
2024A	2.79%		1.55%		0.85%		1.13%		0.11%		4.97%		4.99%	
2025E	2.00%	0.50	1.10%	(0.20)	1.40%	0.30	1.40%	0.30	1.20%	0.40	5.00%	0.10	4.80%	0.20
2026E	2.20%	0.40	0.90%	N/C	1.30%	0.20	0.90%	(0.10)	0.70%	0.20	4.40%	0.20	4.20%	0.10
CPI														
2024A	2.95%		2.38%		2.36%		2.54%		2.74%		0.25%		2.66%	
2025E	2.80%	(0.10)	2.10%	N/C	2.10%	N/C	3.50%	0.20	3.10%	(0.10)	(0.10%)	(0.10)	1.90%	(0.10)
2026E	2.90%	(0.10)	2.30%	0.10	2.00%	0.10	2.90%	0.40	1.80%	0.10	1.00%	0.10	2.30%	N/C

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

Targets (RBC GAM Investment Strategy Committee)

	November 2025	Forecast November 2026	Change from Fall 2025	1-year total return estimate* (%)
Currency markets against USD				
CAD (USD–CAD)	1.40	1.32	N/C	4.6
EUR (EUR–USD)	1.16	1.24	N/C	5.2
JPY (USD–JPY)	156.18	135.00	2.00	12.4
GBP (GBP–USD)	1.32	1.38	N/C	4.3
Fixed income markets				
U.S. Fed Funds Rate (upper bound)**	4.00	3.25	(0.25)	
U.S. 10-Year Bond	4.01	4.25	N/C	2.1
Canada Overnight Rate	2.25	2.25	N/C	
Canada 10-Year Bond	3.15	3.25	(0.25)	2.3
Eurozone Deposit Facility Rate	2.00	2.00	N/C	
Germany 10-Year Bund	2.69	3.00	0.25	0.0
U.K. Base Rate	4.00	3.50	0.25	
U.K. 10-Year Gilt	4.44	4.50	0.25	4.0
Japan Overnight Call Rate	0.48	1.00	0.25	
Japan 10-Year Bond	1.81	1.80	0.05	1.9
Equity markets				
S&P 500	6849	7100	450	4.8
S&P/TSX Composite	31383	32450	3150	5.8
MSCI Europe	193	200	5	6.9
FTSE 100	9721	10150	550	7.7
Nikkei	50254	54275	8625	9.6
MSCI Emerging Markets	1367	1490	170	11.4

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

** The U.S. Federal Reserve cut its policy rate by 25 basis points to 3.75% on December 10, 2025. 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	New Year 2025	Spring 2025	Summer 2025	Fall 2025	New Year 2026
Cash	2.0%	0.0% – 15.0%	2.0%	2.0%	1.0%	1.0%	2.0%
Bonds	38.0%	23.0% – 53.0%	38.0%	38.0%	38.0%	37.0%	37.0%
Stocks	100.0%	45.0% – 75.0%	60.0%	60.0%	61.0%	62.0%	61.0%

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 and sub-asset class allocation							
	Canada Universe* November 2025	Allowable range	New Year 2025	Spring 2025	Summer 2025	Fall 2025	New Year 2026
Global bonds							
Canadian Government	75.0%	20.0% – 100.0%	n/a	n/a	n/a	n/a	65.0%
Global Sovereign	0.0%	0.0% – 20.0%	n/a	n/a	n/a	n/a	0.0%
Cdn Investment Grade Corp.	25.0%	20.0% – 50.0%	n/a	n/a	n/a	n/a	35.0%
U.S. High Yield Corporate	0.0%	0.0% – 10.0%	n/a	n/a	n/a	n/a	0.0%

Note: Based on expected SCAD hedged total returns. Global bond allocation changed from a regional allocation between North America, Europe and Asia to its current model in October 2025 to align more closely with the portfolios we manage and the needs of Global Investment Outlook consumers.

	MSCI** November 2025	Allowable range	New Year 2025	Spring 2025	Summer 2025	Fall 2025	New Year 2026
Global equities							
North America	73.1%	63.1% – 83.1%	73.2%	72.7%	70.3%	71.6%	72.8%
Europe	12.4%	2.4% – 22.4%	12.2%	12.4%	14.4%	13.4%	12.5%
Asia	6.2%	0.0% – 16.2%	6.6%	6.3%	6.8%	6.5%	6.3%
Emerging markets	8.3%	0.0% – 18.3%	8.0%	8.6%	8.6%	8.5%	8.4%

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** November 2025	RBC GAM ISC Fall 2025	RBC GAM ISC New Year 2026	Change from Fall 2025	Weight vs. benchmark	
Energy	3.33%	2.03%	2.83%	0.80	85.0%	
Materials	3.08%	1.62%	1.58%	(0.04)	51.3%	
Industrials	11.06%	12.32%	11.96%	(0.35)	108.1%	
Consumer discretionary	10.25%	10.06%	10.25%	0.20	100.0%	
Consumer staples	5.24%	4.87%	3.24%	(1.63)	61.9%	
Health care	9.21%	9.01%	10.21%	1.20	110.9%	
Financials	16.19%	17.88%	16.19%	(1.69)	100.0%	
Information technology	28.58%	28.05%	30.08%	2.03	105.2%	
Communication services	8.60%	10.05%	10.00%	(0.05)	116.3%	
Utilities	2.60%	3.95%	3.40%	(0.55)	130.7%	
Real estate	1.83%	0.16%	0.23%	0.07	12.7%	

*FTSE Canada Universe Bond Index. **MSCI World Index. Source: RBC GAM Investment Strategy Committee. 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%	2.0%
Fixed Income	73%	68-88%	72.0%	72.0%
Total Cash & Fixed Income	75%	60-90%	73.0%	74.0%
Canadian Equities	10%	0-20%	10.9%	10.5%
U.S. Equities	8%	0-18%	8.0%	8.0%
International Equities	7%	0-17%	8.1%	7.5%
Emerging Markets	0%	0%	0.0%	0.0%
Total Equities	25%	10-40%	27.0%	26.0%
			Return	Volatility
40-year average			7.1%	4.8%
Last 12 months			7.8%	3.6%

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%	2.0%
Fixed Income	58%	43-83%	57.0%	57.0%
Total Cash & Fixed Income	60%	45-75%	58.0%	59.0%
Canadian Equities	13%	3-23%	13.7%	13.5%
U.S. Equities	15%	5-25%	15.0%	15.0%
International Equities	12%	2-22%	13.3%	12.5%
Emerging Markets	0%	0%	0.0%	0.0%
Total Equities	40%	25-55%	42.0%	41.0%
			Return	Volatility
40-year average			7.6%	6.0%
Last 12 months			10.3%	4.6%

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%	2.0%
Fixed Income	38%	23-53%	37.0%	37.0%
Total Cash & Fixed Income	40%	25-55%	38.0%	39.0%
Canadian Equities	15%	5-25%	15.3%	15.4%
U.S. Equities	25%	15-35%	25.0%	25.0%
International Equities	15%	5-25%	16.3%	15.4%
Emerging Markets	5%	0-15%	5.4%	5.2%
Total Equities	60%	45-75%	62.0%	61.0%
			Return	Volatility
40-year average			8.2%	7.6%
Last 12 months			13.9%	6.1%

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%	2.0%
Fixed Income	23%	8-38%	22.0%	22.0%
Total Cash & Fixed Income	25%	10-40%	23.0%	24.0%
Canadian Equities	18%	8-28%	18.1%	18.4%
U.S. Equities	30%	20-40%	30.0%	30.0%
International Equities	19%	9-29%	20.4%	19.4%
Emerging Markets	8%	0-18%	8.5%	8.2%
Total Equities	75%	60-90%	77.0%	76.0%
			Return	Volatility
40-year average			8.5%	9.5%
Last 12 months			16.8%	7.1%

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%	0.0%	1.0%
Fixed Income	0%	0-15%	0.0%	0.0%
Total Cash & Fixed Income	2%	0-17%	0.0%	1.0%
Canadian Equities	29%	19-39%	29.0%	29.4%
U.S. Equities	38%	28-48%	38.0%	38.0%
International Equities	20%	10-30%	21.5%	20.4%
Emerging Markets	11%	1-21%	11.5%	11.2%
Total Equities	98%	83-100%	100.0%	99.0%
			Return	Volatility
40-year average			9.1%	11.9%
Last 12 months			21.4%	8.9%

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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Relatively strong U.S. economic growth and concern that excessive budget deficits are not just a U.S. problem helped the dollar advance against developed-market currencies over the three months ended November 30, 2025. U.S. growth is expected to accelerate and outpace most developed markets in 2026 as fiscal stimulus from the One Big Beautiful Bill Act kicks in and capital expenditures by U.S. technology companies provide an important boost. The worst-performing currency was the yen, which depreciated 6.3% against the greenback as massive new fiscal spending threatens to worsen already dire public finances, and the yield disadvantage of Japanese government bonds remains large versus Treasuries. The U.K. also continues to wrestle with its own fiscal problems, which along with a weak economy and stubbornly high inflation, dropped the pound by 2.0% against the U.S. dollar. Canada's dollar, beset by relatively low interest rates and an economy hobbled by tariffs and decreased immigration, fell 1.7% against the greenback during the three months. The euro declined 0.9% versus the U.S. dollar as the region's economic and geopolitical challenges offset the potential for structural reforms and additional fiscal support. Over the one-year period, the U.S. dollar declined 8.8% against the euro, 3.8% against the pound and 0.2% against the Canadian dollar, but appreciated 4.3% versus the yen.

Global fixed-income returns were mixed in the latest quarter as bond yields declined at least marginally in most major markets but rose slightly in Japan. Outside of Japan, bond investors considered the opposing effects of monetary easing against a backdrop of rising government outlays and firming price pressures. The U.S. 10-year yield fell 36 basis points in the quarter to 4.01% at the end of November, coinciding with two interest-rate cuts by the U.S. Federal Reserve. Bond yields in Canada and the UK mirrored the U.S. declines as their economies struggled, but yields increased in Japan because of expected rate hikes to combat inflation and concerns over the country's plans to significantly raise government spending. As a result, the 2.4% return for the FTSE US Government Bond Index's ranked first, while the FTSE Japanese Government Bond Index's 7.2% loss – due largely to yen depreciation - was by far the worst in U.S.-dollar terms. Over the 12-month period, Bloomberg's European government-bond index performed the best, up 9.6%, compared with a 10.7% decline for the FTSE Japanese Government Bond Index, all in U.S.-dollar terms.

Global equities advanced to new highs over the three-month period amid easier financial conditions, impressive profit growth and heightened expectations that artificial intelligence (AI) will transform business. The MSCI Emerging Markets Index and Canada's S&P/TSX Composite Index were

the top-performing major equity markets, gaining 9.0% and 8.6%, respectively, in U.S.-dollar terms. AI-related stocks drove emerging-market outperformance, while Canadian gains were more broad-based across banking, gold mining and technology stocks. The MSCI Germany Index's 2.2% loss was the only negative return among major equity indexes as sluggish domestic growth damped enthusiasm for stocks tied to Europe's largest economy. Equities delivered outstanding gains over the one-year period, ranging from a 15.0% return for the S&P 500 to a 29.5% gain for the MSCI Emerging Markets. Most index returns ranged between 25% and 30% after the impact of the U.S. dollar was factored in.

U.S. large-cap stocks outperformed, with the S&P 500 up 6.3% in the three-month period, outpacing the S&P MidCap 400 Index by 4.3 percentage points and the S&P SmallCap 600 Index by 3.6 percentage points. This outperformance reflected investors' preference for the earnings power of large-cap companies, which broadly beat expectations and had their profit estimates raised. Meanwhile, the Russell 3000 Growth Index outperformed the Russell 3000 Value Index by 2.2 percentage points, with performance broadening beyond mega-cap technology to include other sectors. Health Care led all equity sectors with a 12.6% gain, benefiting from strong pharmaceutical performance amid strong sales of weight-loss drugs and investor relief that Trump's tariffs were not applied to pharmaceuticals. The Real Estate sector was the only negative sector, down 0.4%, as demand for housing and office remains subdued due to high interest rates and remote work arrangements. Over the 12-month time frame, Communication Services was the best performing sector with a 36.5% return and the Real Estate sector ranked last with a 0.3% loss.



Exchange rates

Periods ending November 30, 2025

	Current USD	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)
USD–CAD	1.3972	1.73	(2.80)	(0.21)	1.27	1.47
USD–EUR	0.8621	0.85	(10.70)	(8.77)	(3.56)	0.56
USD–GBP	0.7550	2.05	(5.48)	(3.77)	(3.10)	0.13
USD–JPY	156.1400	6.25	(0.77)	4.34	4.18	8.38

Note: all changes above are expressed in US dollar terms

Canada fixed income markets

Periods ending November 30, 2025

	USD					CAD		
	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
Fixed income markets: Total return								
FTSE Canada Univ. Bond Index TR	1.12	6.97	3.47	3.06	(1.47)	2.87	3.25	4.37

U.S. fixed income markets

Periods ending November 30, 2025

	USD					CAD		
	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
Fixed income markets: Total return								
FTSE U.S. Government TR	2.36	7.51	5.74	4.58	(0.34)	2.36	5.74	4.58
BBg U.S. Agg. Bond Index TR ¹	2.35	7.46	5.70	4.56	(0.31)	2.35	5.70	4.56

Global fixed income markets

Periods ending November 30, 2025

	USD					CAD		
	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
Fixed income markets: Total return								
FTSE WGBI TR	0.59	7.41	4.95	3.09	(3.29)	2.14	4.49	4.05
Bloomberg Pan-European Govt TR	0.65	13.36	9.57	5.82	(3.62)	2.20	9.09	6.81
FTSE Japanese Government TR	(7.21)	(6.49)	(10.70)	(7.73)	(11.22)	(5.60)	(10.89)	(6.56)

Canada equity markets

Periods ending November 30, 2025

	USD					CAD		
	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
Equity markets: Total return								
S&P/TSX Composite	8.64	33.71	25.98	17.39	14.50	10.53	25.71	18.89
S&P/TSX 60	7.46	31.11	23.42	16.33	14.36	9.32	23.16	17.81
S&P/TSX Small Cap	15.24	50.91	42.15	19.96	14.40	17.24	41.85	21.49

U.S. equity markets

Periods ending November 30, 2025

	USD					CAD		
	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
Equity markets: Total return								
S&P 500 TR	6.34	17.81	15.00	20.57	15.28	8.18	14.75	22.11
S&P 400 TR	2.04	7.42	(0.23)	10.41	10.49	3.80	(0.44)	11.82
S&P 600 TR	2.75	6.07	(2.37)	7.67	9.05	4.33	(2.79)	8.68
Russell 3000 Value TR	4.67	14.96	7.01	11.92	11.93	8.64	4.88	14.99
Russell 3000 Growth TR	6.91	18.83	19.36	27.12	15.82	6.49	6.78	13.34
NASDAQ Composite Index TR	9.06	21.71	22.38	27.72	14.73	10.95	22.12	29.34

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 November 30, 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 *	5.58	20.12	16.99	19.11	12.90	7.20	16.48	20.22
MSCI EAFE TR *	3.75	27.40	24.50	16.11	9.27	5.35	23.96	17.19
MSCI Europe TR *	4.24	30.32	27.14	16.73	10.47	5.85	26.58	17.82
MSCI Pacific TR *	6.15	28.61	27.84	15.96	5.39	7.78	27.29	17.05
MSCI UK TR *	4.40	30.18	26.59	16.74	13.69	4.40	26.59	16.74
MSCI France TR *	4.58	26.26	26.36	13.15	9.10	6.18	25.81	14.21
MSCI Germany TR *	(2.23)	30.56	29.24	20.94	8.95	(0.73)	28.67	22.07
MSCI Japan TR *	5.18	23.93	23.51	17.43	7.35	6.80	22.97	18.53
MSCI Emerging Markets TR *	8.96	29.69	29.51	14.72	5.06	10.64	28.94	15.79

Global equity sectors
Periods ending November 30, 2025

	USD					CAD		
Sector: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
Energy TR *	1.83	13.52	4.83	4.90	20.46	3.40	4.37	5.88
Materials TR *	3.61	20.96	11.01	8.51	7.59	5.20	10.53	9.52
Industrials TR *	1.81	22.43	15.15	18.67	12.07	3.38	14.65	19.78
Consumer discretionary TR *	2.69	7.34	9.83	17.23	7.87	4.27	9.35	18.32
Consumer staples TR *	0.48	9.95	5.18	5.33	5.29	2.03	4.72	6.32
Health care TR *	12.56	15.75	8.70	6.27	7.25	14.29	8.23	7.26
Financials TR *	1.05	23.04	17.80	20.84	16.94	2.60	17.29	21.97
Information technology TR *	9.09	23.69	24.59	32.32	19.07	10.76	24.05	33.56
Communication services TR*	10.96	33.54	36.52	34.55	14.24	12.66	35.93	35.81
Utilities TR *	8.87	28.44	19.40	13.37	9.19	10.54	18.88	14.43
Real estate TR *	(0.45)	8.24	(0.33)	5.50	3.65	1.08	(0.77)	6.49

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



Economic outlook

Important tailwinds ahead



Eric Lascelles

Managing Director & Chief Economist
RBC Global Asset Management Inc.

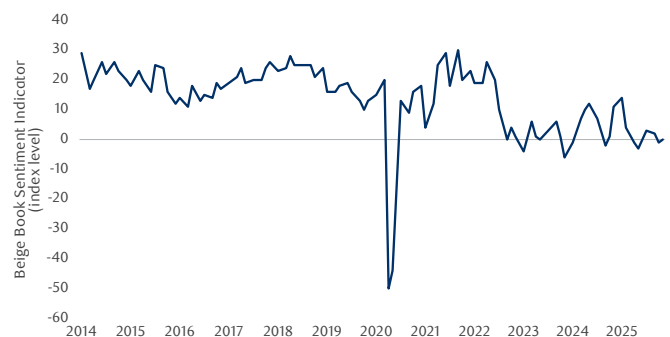
Obscured by the massive day-to-day uncertainty of the past year is the fact that the expected macroeconomic themes did ultimately prevail. As anticipated, tariffs arrived and dimmed growth with fiscal stimulus providing a partial offset, immigration tumbled, and central banks continued their herky-jerky easing cycles. Accordingly, economic growth persisted, if at an uninspired clip (Exhibit 1).

This relative forecasting success provides some hope that 2026 predictions will also be realized, despite the likelihood of further policy surprises and political distractions from one day to the next.

We believe that economic growth should accelerate moderately in the year ahead and may pleasantly surprise relative to consensus expectations. The tariff headwind should be substantially absorbed before too long, and important tailwinds are set to blow. These beneficial forces include interest-rate cuts, further fiscal stimulus, low oil prices, a positive stock-market wealth effect, further growth in artificial-intelligence (AI) expenditures, and the early stages of an AI-driven productivity boost.

Inflation remains somewhat elevated, and while the worst of tariff-related damage may be passing, we believe the introduction of additional monetary stimulus paired with pandemic scarring will prevent inflation from fully retreating to normal in the near term.

Exhibit 1: Beige Book shows mediocre economic conditions



Note: As of Nov 2025. The indicator quantifies the sentiment of local contacts by assigning different weights to a spectrum of positive and negative words used to describe overall economic conditions in the Fed Beige Book.
Source: U.S. Federal Reserve, RBC GAM

From a financial-market standpoint, it is relatively rare and theoretically quite constructive to combine a rate-cutting cycle with an economic soft landing. This scenario should support risk assets, though challenging U.S. equity valuations may limit the magnitude of the expected gains.

Growth tailwinds for 2026

Let us dig into the tailwinds that are expected to spur economic growth over the coming year (Exhibit 2).

The clock has not yet run out on this monetary easing cycle (Exhibit 3). We budget for a bit more economic help, both due to the lagged effect of earlier rate cutting and future impact of additional easing to come. The U.S. Federal Reserve (Fed), in particular, can afford to deliver several more rate cuts as it moves from a restrictive to a neutral stance, and the Fed's recent move to end quantitative tightening is also supportive. The prospect of a more dovish voting lineup in 2026 supports this view. In our opinion, the Bank of England also appears to have space for further easing, and it is conceivable that Bank of Canada could return to easing.

Fiscal stimulus is also set to be an important 2026 theme. The One Big Beautiful Bill Act should have a substantially positive effect on U.S. economic growth as a variety of its tax-cutting initiatives take effect in 2026. President Trump has mused about issuing US\$2,000 stimulus cheques to Americans – an








upside risk to our base-case growth forecast, albeit one that would increase the fiscal deficit.

Fiscal stimulus is not exclusive to the U.S. Prominently, Germany recently loosened its fiscal brake. In particular, many countries have committed to additional defence spending. Canada's latest budget unveiled fiscal stimulus and a push for more infrastructure and capital investments. Japan's new prime minister is similarly ushering in a more stimulative policy environment. Attempts by the UK and France to pursue fiscal austerity have run into public opposition, limiting the scale of their actions.

The combination of significant stock-market appreciation and relatively low oil prices is also an important growth tailwind. Higher stocks have lined the pockets of investors, with a significant fraction of such gains usually recycled into consumer spending. Lower oil prices constitute a cost saving for households and businesses, and temper inflation.

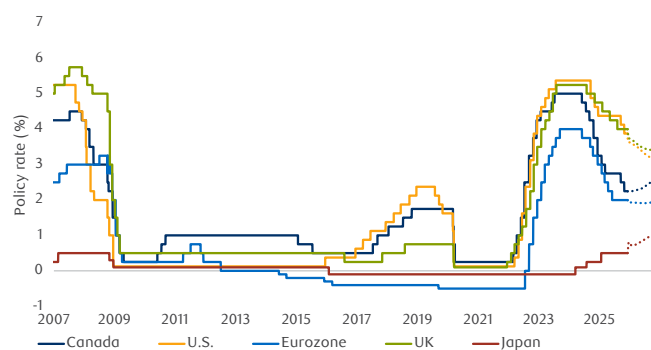
From a U.S. standpoint, the fall in the dollar over the past year and the potential for more depreciation enhance the country's competitiveness and should boost the American economy in the years ahead. (Of course, currencies are a zero-sum game, with other countries on the opposite side of this trend.)

Exhibit 2: Growth tailwinds for 2026

	U.S.	Canada	Rest of developed world
 Monetary policy	+	++	++
 Fiscal policy	+	+	+
 Stock market wealth effect	++	++	++
 Oil prices	++	+	++
 U.S. dollar	+	.	-
 AI cap ex	+	.	.
 AI productivity	+	+	+
Overall	++	++	++

Note: As of 12/02/2025. Source: RBC GAM

Exhibit 3: Most major central banks are cutting interest rates



Notes: As of 12/08/2025. Dotted lines indicate futures pricing. Source: Bloomberg, RBC GAM

While it is hard to fathom that the growth rate in AI capital expenditures can match the extraordinary pace achieved in 2025, there still appears to be room for further impressive growth in 2026 (Exhibit 4). This AI impact constitutes a continued tailwind for the economy.

We also budget for robust productivity growth in 2026, delivered in part by the increasing integration of AI into the working world. At a bare minimum, several technology giants appear to believe they can substantially expand their output without adding employees: that's a productivity gain.

Helpfully, some pre-existing headwinds are also fading. The damage from tariffs is increasingly being absorbed, meaning less pain left to come. The U.S. government shutdown was another headwind in 2025 but has since been resolved.

U.S. politics and policy

U.S. political and policy decisions continue to play a central role in the economic trajectory.

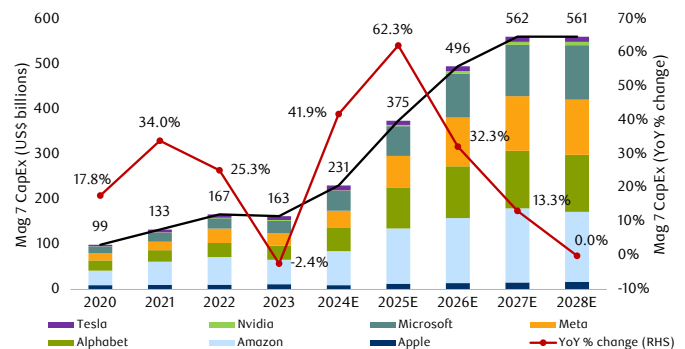
The acrimonious U.S. government shutdown was resolved in mid-November after a record 43-day standoff between Republicans and Democrats. Non-essential government work was halted during the shutdown, with three-quarters of a million workers furloughed.

We figure that fourth-quarter U.S. GDP will grow by about 1 percentage point less than normal due to the disruption, with first-quarter 2026 GDP then set to rise artificially quickly as the distortion fades.

There remains a risk that another shutdown will hit on February 1, though betting markets currently assign just a 1-in-3 chance of this outcome. Still, a second shutdown would likely be shorter as essential workers would presumably be quicker to rebel – pressuring politicians.

While it has been difficult to judge the precise trajectory of the U.S. economy due to the delay of economic data during the shutdown, a range of alternative indicators suggest that the economy weakened somewhat but has now broadly stabilized (Exhibit 5). Meanwhile, although the rate of hiring appears to have slowed, jobless claims remain tame (Exhibit 6).

Exhibit 4: Magnificent 7 capital-expenditure growth to remain fast but decelerate



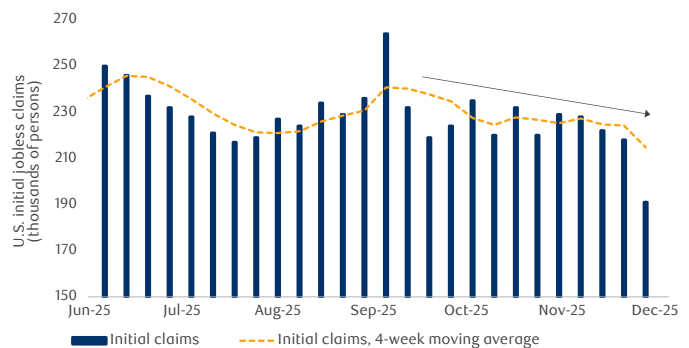
Note: As of 12/04/2025. Source: Bloomberg, RBC GAM

Exhibit 5: U.S. economic data ceasing to weaken



Note: As of 12/05/2025. Source: Citigroup, Bloomberg, RBC GAM

Exhibit 6: U.S. jobless claims still look fine



Note: As of the week ending 11/29/2025. Source: DOL, Macrobond, RBC GAM

Turning to trade policy, the tariff story has quieted somewhat and uncertainty has been significantly reduced (Exhibit 7). Many countries have struck handshake deals with the U.S. (Exhibit 8).

The trade trajectory has even turned slightly favourable in recent months given that U.S. tariffs were pared against China, Switzerland and some Central and South American countries. Cost-of-living concerns also prompted the White House to lift tariffs on a variety of imported foodstuffs including beef, tomatoes, coffee and tropical fruits. There is a good chance that the U.S. Supreme Court shortly blocks the White House's usage of a key piece of tariff legislation. But there appear to be enough other tools in the American tariff toolkit that we do not expect the tariff regime to be enduringly diminished.

In sum, the average U.S. tariff rate is still considerable and doing economic damage, but also declining (Exhibit 9). For reasons including substitution effects and inconsistent border enforcement, realized U.S. tariff revenue is well below what would be theoretically expected, and this helps explain why tariff economic damage has not been as bad as feared.

There are, of course, a handful of countries with serious economic exposure to these tariffs including Vietnam, Mexico and Canada. But the overall impact isn't too damaging for most nations given their limited trade ties to the U.S.

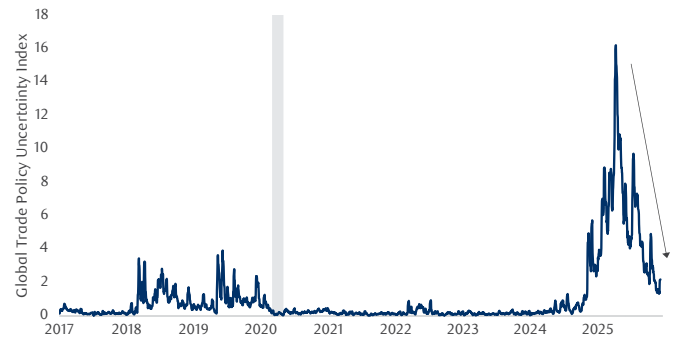
Optimistic on artificial intelligence

AI is now a topic of central importance. It is becoming a part of daily life, both in the personal and business realm, and its influence will only increase as models improve and people learn how to use them.

AI is already an important economic driver in a narrow sense: the scale of capital expenditures in the effort to build out AI models is enormous. This spending alone – setting completely aside the utility of the AI models themselves – has become an important contributor to the economy. The consensus among tech sector analysts is for a further 32.3% rise in these outlays in 2026. This is a slower growth rate than in 2025, but still supportive.

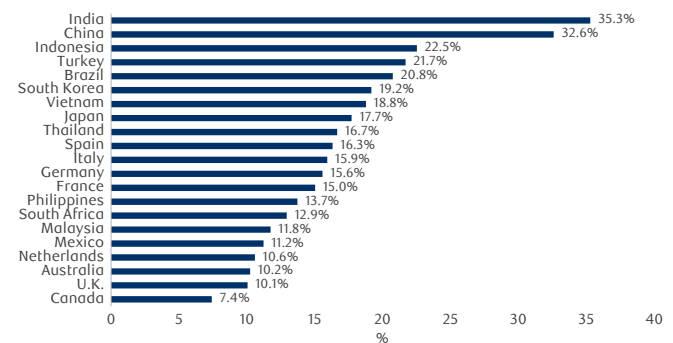
Concerns about AI bubbles and malinvestment are not inappropriate given all of the money being deployed, but the parallels to the late 1990s tech bubble are limited.

Exhibit 7: Global trade-policy uncertainty falls as deals are struck and tariffs are trimmed



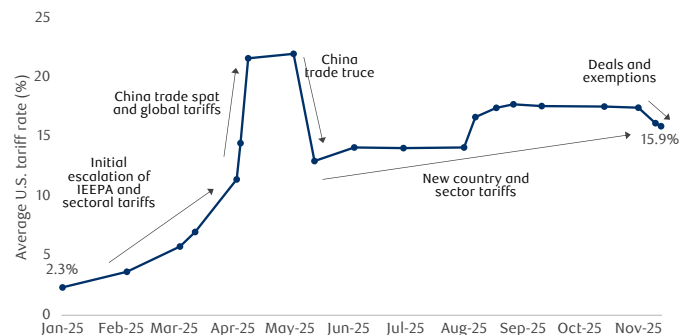
Note: As of 12/07/2025. Shaded area represents U.S. recession. Index based on searches in economic, research and government related topics in Bloomberg News and First Word feeds. Source: Bloomberg, Macrobond, RBC GAM

Exhibit 8: Effective tariff rates by country



Note: Effective tariff rates estimated based on tariffs implemented by the Trump administration up to November 27, 2025. Excludes de minimis effect. Source: Evercore ISI Tariff Tracker, IMF, Macrobond, RBC GAM

Exhibit 9: Average U.S. tariff rate



Note: Effective tariff rates estimated based on tariffs in effect as at the specified date and up to 11/28/2025; threatened rates not included. Excludes the de minimis effect - suspension of de minimis exemption for China and Hong Kong in May 2025 and effective 08/29/2025 for all other countries. 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

Today's valuations are less daunting, the companies involved are mostly profitable and more diversified, and most have spare cash flow even after the enormous outlays.

Even if the AI race eventually does prove to be a bubble, it is normal for chatter to that effect to start years before the bubble bursts, as per former Fed Chair Greenspan's comments about "irrational exuberance" in 1996 – four years before technology stocks imploded. Regardless of the shorter-term direction of stocks, the massive AI spending is pushing the technological frontier helpfully forward, whether or not the central actors ultimately earn an attractive return on their capital.

If this AI push is indeed unleashing the next general-purpose technology, as we suspect, that's a big deal. It promises to substantially increase productivity across a range of industries and alter how people live. Accordingly, we budget for faster productivity growth in the decades ahead and think this is now coming into view (Exhibit 10).

Whereas the bulk of AI-oriented capital expenditures are occurring in the U.S. and China, the beauty of technological breakthroughs such as this one is that their productivity benefits should accrue to the entire world.

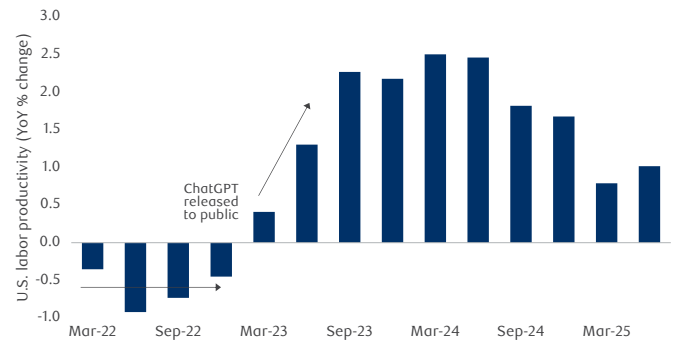
Alongside this great promise, it will be critical to watch for signs of AI displacing workers on a huge scale. There is already some research showing young workers in AI-vulnerable professions are having greater difficulty finding work, though the numbers are small and the evidence is preliminary. Higher structural unemployment would be a societal and economic problem.

K-shaped economy

U.S. consumer spending has long come disproportionately from the highest income decile of Americans, who are, incredibly, responsible for almost 50% of all such outlays. This share has increased incrementally over time, but it is far from a new phenomenon.

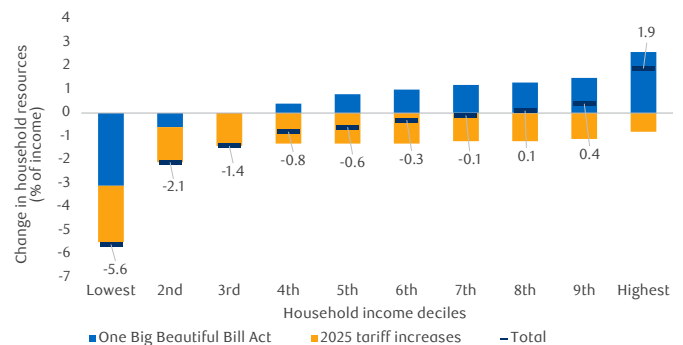
This narrow base of support for consumer spending will have to hold up over the coming year if the U.S. economy is to expand at a solid clip. Middle- and low-income households are facing many challenges, including a disproportionate blow from tariffs and only limited help from recent tax cuts (Exhibit 11), plus a sluggish job market. Conversely, higher

Exhibit 10: U.S. productivity growth has increased since the release of ChatGPT



Note: As of Q2 2025. Source: U.S. BLS, Macrobond, RBC GAM

Exhibit 11: Recent policy changes disproportionately hurt lower income Americans



Note: As of 11/17/2025. Source: Yale Budget Lab, Congressional Budget Office, RBC GAM



income households greatly benefited from tax cuts, weren't hurt too badly by tariffs, are less reliant on labour income, and have disproportionately benefited from rising equities (Exhibit 12).

We think high-income households can continue to spend, and so consumer spending should keep climbing. But the lack of consumer breadth is uncomfortable and represents a downside risk.

Power-based global order

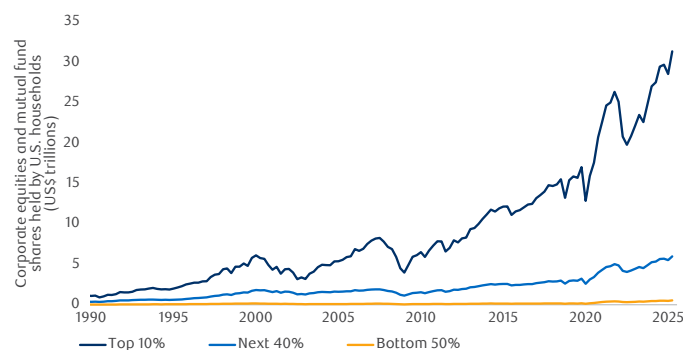
We now find ourselves in an indisputably multipolar world, one in which the U.S. is no longer the only sheriff in town. China is now the equal of the U.S. on several fronts and a formidable challenger on others. Eras characterized by multipolarity are frequently associated with deglobalization and rising nationalism, both of which are now occurring. From an economic standpoint, these environments tend to lower the rate of global economic growth slightly, and to put upward pressure on the rate of inflation.

Alongside this transition, the world is now pivoting from a rules-based order to a power-based order. For many decades, most nations respected one another's rights and boundaries, and laid a foundation of global rules that were broadly respected.

Today, the system of international rules is under pressure as the U.S. ceases its traditional sponsorship of such initiatives. Tariffs undermine the World Trade Organization, and several of the world's great powers have become more forceful vis-à-vis their neighbours. Russia is of course in Ukraine, but China is also behaving more assertively in the South China Sea and East China Sea, and along its border with India. The current U.S. administration has expressed expansionist aspirations relating to the Panama Canal, Greenland and even Canada, although it is unclear how seriously to take such ideas.

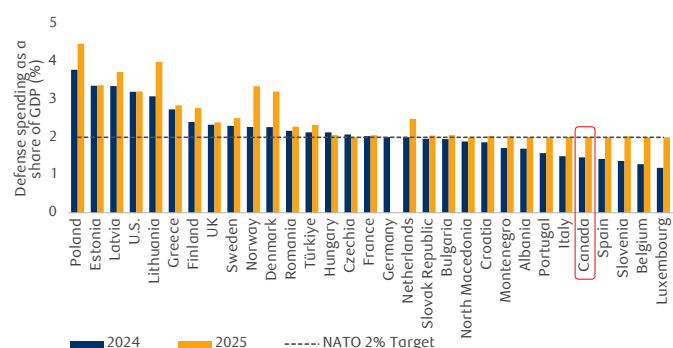
In short, it is a good time to be a powerful nation, and a bad time to be a weak one. Recognizing the danger inherent in a power-based order and U.S. pressure on allies to spend more on defense, military spending is rising nearly everywhere (Exhibit 13) and can be expected to continue increasing.

Exhibit 12: The richest Americans have disproportionately benefited from stock-market gains



Note: As of Q2 2025. Source: Federal Reserve, Macrobond, RBC GAM

Exhibit 13: Rising defence spending



Note: As at 6/3/2025. 2024 and 2025 expenditure are estimates. 2025 data not available for Germany. Source: NATO, RBC GAM

A related theme is the world's recent loss of trust in the U.S. While this should not be overstated and has seemingly not been sharp enough to induce large capital outflows, it nevertheless argues for a weaker U.S. dollar over time and contributes to the steeper U.S. yield curve now in place.

Forecast upgrades

Given the growth tailwinds expected for 2026, it is not a surprise that our developed-world forecasts mostly envision accelerating growth. Many of our forecasts are also above consensus, and indeed higher than a quarter ago.

A critical technical note: you wouldn't know that we anticipate accelerating growth by looking at the forecast figures (Exhibit 14). Those appear to show decelerating growth in several regions. What is going on? Without getting into the gory details, the industry-standard way of conveying annual GDP can be distorted by unusual strength or weakness at the end of the prior year or the beginning of the forecasted year. That is happening here. To illustrate the consequences, while the official Canadian GDP forecast for 2026 is just 0.9% growth, the average of the four quarters that make up that year is a much stronger 1.7% (refer to the quarterly chart in the Canadian section of this report for a visual depiction).

It is notable that the U.S. growth advantage has significantly eroded relative to the prior several years – an example of American exceptionalism continuing, but in diminished form.

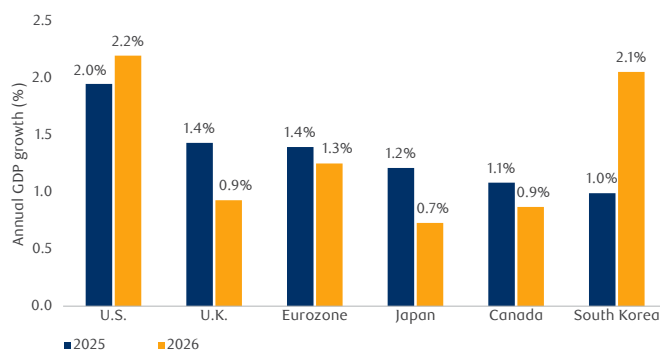
Many developed countries have been snapped awake by U.S. isolationism and are now focusing on maximizing economic growth after a long period of distraction. The European Union is now part way through its own productivity reform agenda, with more needed before one can speak with confidence of a fully rejuvenated continent (Exhibit 15).

Risks to these relatively constructive macroeconomic views include the possibility that inflation pressures fail to abate, that the bond market objects to large sustained fiscal deficits, that AI proves to be a bubble, or that the struggles of lower-income households become more acute.

The central narrative is similar for emerging markets. Many emerging-market economies are also anticipated to grow more quickly in 2026. Note the same technical distortion exists in the emerging-market forecasts, obscuring this narrative (Exhibit 16). China and India constitute important exceptions to the accelerating growth trend, but we look for steady, robust growth from both. Once again, our forecasts are mostly above the consensus.

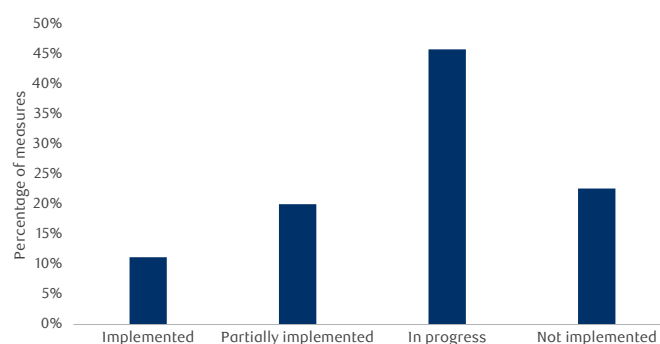
Turning briefly from the one-year outlook to more distant vistas, it is worth acknowledging that a large part of what determines economic growth rates is how substantially a country lags the world's richest nations in per-capita income. The poorer the country, the faster it can theoretically grow as it mimics best practices and races to catch up to the developed world. But there is significant variation around this principle, influenced by such factors as education levels and

Exhibit 14: RBC GAM GDP forecast for developed markets



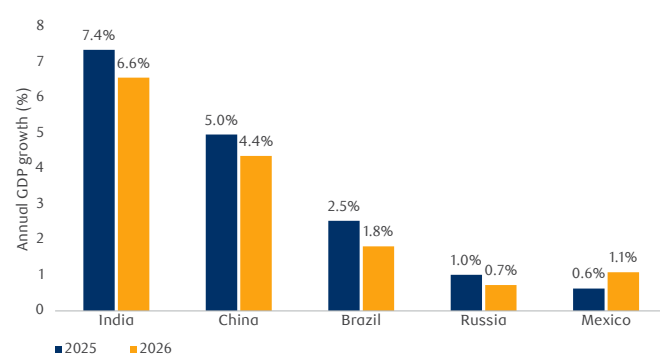
Note: As of 11/03/2025. Source: RBC GAM

Exhibit 15: Most European productivity reforms not yet fully implemented



Note: As at 09/04/2025. Source: European Policy Innovation Council (EPIC), RBC GAM

Exhibit 16: RBC GAM GDP forecast for emerging markets



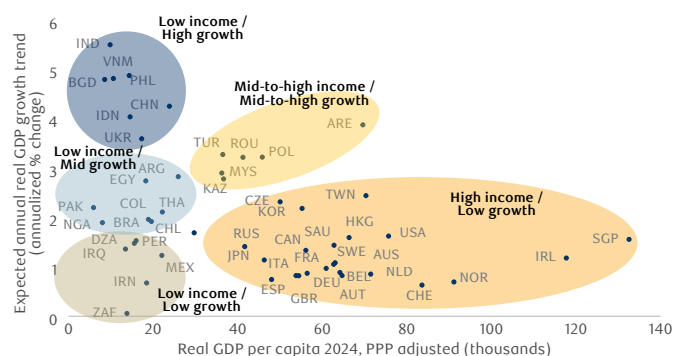
Note: As of 11/03/2025. Source: RBC GAM

governance quality (Exhibit 17). Some countries, such as India and Vietnam, are growing even faster than their low GDP per capita level would suggest, while others, such as South Africa and Mexico, are underperforming. Such divergences tend to persist over long periods.

Improving but sticky inflation

Inflation remains too high in the U.S. and is slightly elevated in several other developed markets. This is due to a mix of tariff hikes and post-pandemic scarring, with an emphasis on the latter for non-U.S. markets. Our CPI forecasts are mostly a hair above the consensus for 2026, motivated by the view that central-bank rate cutting is running ahead of what one would normally expect in the present inflation environment, given the expectation that a modicum of scarring will persist, and with a view that large fiscal deficits may persuade some countries to tolerate incrementally higher inflation than otherwise (Exhibit 18).

Exhibit 17: Economic growth vs. income level



Note: Top 50 countries in the world by 2024 real GDP shown in chart. Expected GDP growth from 2025 to 2029 based on IMF forecast. Source: U.S. Central Intelligence Agency, IMF World Economic Outlook October 2025, RBC GAM

Exhibit 18: Fiscal-health scorecard

Country	Fiscal Health Index (1 - 5)	Debt (% of GDP)	Deficit (% of GDP)	Fiscal adjustment (ppt)	Interest payments (% of GDP)	GDP growth (%)	Current Account (% of GDP)	Foreign-held debt (% share)	Committed spending share (%)	Currency control
U.S.	3.3	122	7.6	2.3	3.9	3.7	122.3	26	70	Yes
France	3.1	113	5.7	1.6	1.9	3.2	113.1	46	63	No
U.K.	3.1	101	5.5	1.5	3.1	3.8	101.2	25	63	Yes
Italy	3.0	135	3.5	-0.3	3.7	2.7	135.3	28	62	No
Belgium	3.0	105	4.8	1.0	2.0	3.1	104.7	52	58	No
Brazil	2.9	87	6.7	0.8	8.2	6.0	87.3	11	66	Yes
South Africa	2.8	76	5.7	1.5	5.0	4.9	76.0	23	41	Yes
Spain	2.8	102	3.1	-0.5	2.4	3.9	101.6	41	63	No
Mexico	2.7	58	5.9	2.5	6.2	5.6	58.3	23	n.a.	Yes
Japan	2.7	236	1.6	-3.8	1.2	2.5	236.1	13	67	Yes
India	2.6	82	7.9	-0.4	5.4	10.8	81.6	5	n.a.	Yes
Canada	2.5	111	1.8	-2.9	3.2	4.3	111.3	21	63	Yes
Norway	2.5	43	8.0	6.7	0.6	3.2	42.7	63	60	Yes
Finland	2.5	82	3.4	0.0	1.1	3.6	82.1	46	62	No
Greece	2.4	155	-0.5	-5.1	2.8	3.6	154.8	n.a.	57	No
China	2.4	123	6.8	-1.3	0.9	5.4	88.3	3	44	Yes
Portugal	2.2	95	-0.3	-3.3	2.2	3.8	94.9	46	62	No
Australia	2.1	51	3.1	0.9	1.6	4.5	50.7	33	57	Yes
Germany	1.9	63	2.0	-0.2	0.9	2.9	63.5	42	61	No
Turkey	1.7	24	4.7	0.0	2.6	18.4	24.0	n.a.	57	Yes
Indonesia	1.7	40	2.2	-1.0	2.1	7.8	40.2	34	32	Yes
Netherlands	1.4	44	1.2	-0.4	0.7	3.3	43.8	37	57	No
Ireland	1.4	39	-3.6	-4.8	0.7	4.3	38.8	56	60	No
Russia	1.4	20	2.4	0.7	0.8	5.2	20.3	8	46	Yes
Denmark	1.3	31	-4.4	-5.4	0.7	3.4	31.5	26	64	Yes
Sweden	1.2	33	0.7	-0.6	0.7	3.7	33.0	16	57	Yes
South Korea	1.2	50	0.7	-1.8	0.9	4.0	49.8	17	n.a.	Yes

Legend: Extremely poor (red), Very poor (light red), Poor (pink), Fair (yellow), Good (green)

Note: 2024 data for all indicators except interest payments (2023) and GDP growth (IMF forecast for 2030 used as proxy for “normal”). Fiscal adjustment refers to the necessary reduction in fiscal deficit to stabilize debt-to-GDP ratio. Source: IMF, Macrobond, RBC GAM

That said, we do look for year-over-year inflation to peak in the spring of 2026 and then begin to edge lower (Exhibit 19). There are several reasons for this.

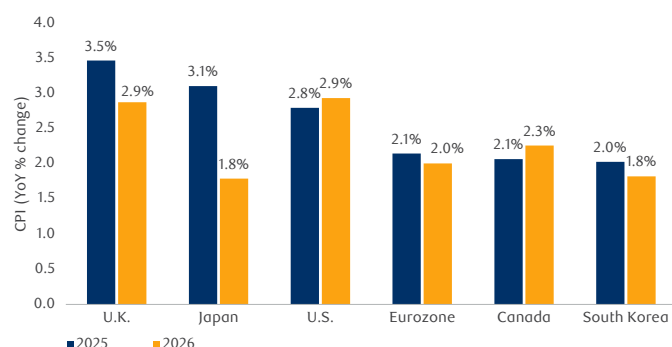
First, economies are not overheating, indicating that there should be some pull in the direction of inflation targets. In line with this, the U.S. labour market is clearly cooling based on a decline in job openings and rising unemployment (Exhibit 20).

Second, the impact of tariffs on inflation is relatively tame – adding little to most countries and about a percentage

point to the U.S. price level. That's far less than the inflation shock of 2021-2023. Reflecting this, the fraction of businesses planning to raise prices has only increased slightly (Exhibit 21).

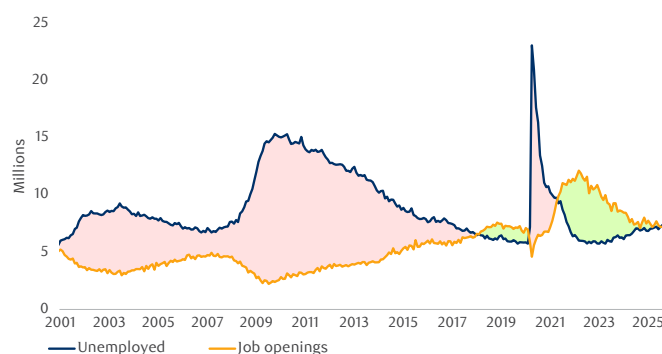
Third, even as tariffs impose inflationary pressures on the goods side of the price basket, a slowdown in increases for rent and mortgage payments is providing a helpful offset elsewhere (Exhibit 22). That downward trend should persist for some time.

Exhibit 19: RBC GAM CPI forecast for developed markets



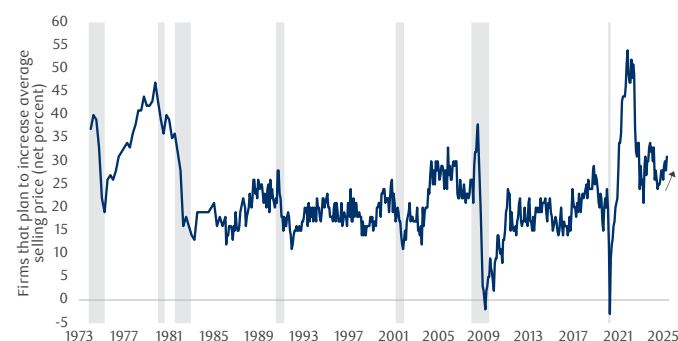
Note: As of 11/03/2025. Source: RBC GAM

Exhibit 20: Gap between job openings and unemployment in the U.S. has closed



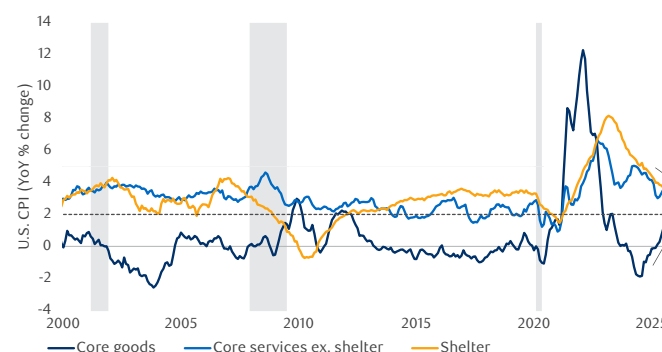
Note: Unemployment as of Sep 2025, job openings as of Aug 2025. Source: BLS, Macrobond, RBC GAM

Exhibit 21: Rising fraction of U.S. businesses planning to raise prices



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

Exhibit 22: U.S. goods inflation rising, services inflation falling



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

Fourth, low and gradually declining oil prices provide another helping hand for overall inflation (Exhibit 23).

On the whole, then, inflation may not fall by quite as much as the consensus expects, but there is room for improvement in the year ahead.

China optimism

First, the bad news. The Chinese economy no longer grows at 10%, 8% or even 6% per year. U.S. tariffs hurt, the property market remains depressed (Exhibit 24), the country has pockets of debt excesses, and the demographic picture is ugly.

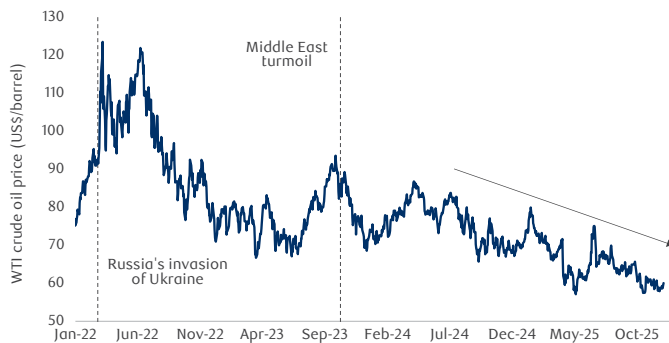
But, for all that, we ultimately land on the optimistic side of the ledger with regard to China. Part of this is because the

bad news is already well appreciated and so factored into the consensus outlook.

Another reason is that, despite it all, China continues to grow at a 4%-plus rate, which is admirable by global standards. By dint of that growth being spread across a shrinking population, the average Chinese citizen is still enjoying rapidly rising prosperity via an annual productivity growth rate that remains above 5% (Exhibit 25).

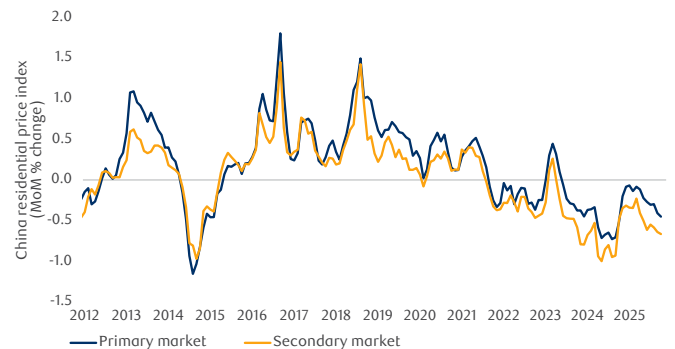
While China would prefer unfettered access to U.S. markets, it has had enough clout to go toe to toe with the U.S. in trade disputes, limiting the damage. China is also proving highly successful at finding new trade partners to replace lost U.S. business (Exhibit 26).

Exhibit 23: Crude-oil prices fall as OPEC+ increases production



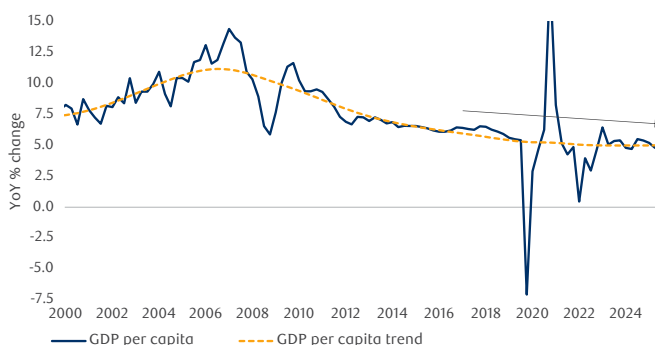
Note: As of 12/05/2025. Source: Macrobond, RBC GAM

Exhibit 24: Chinese home prices continue to fall



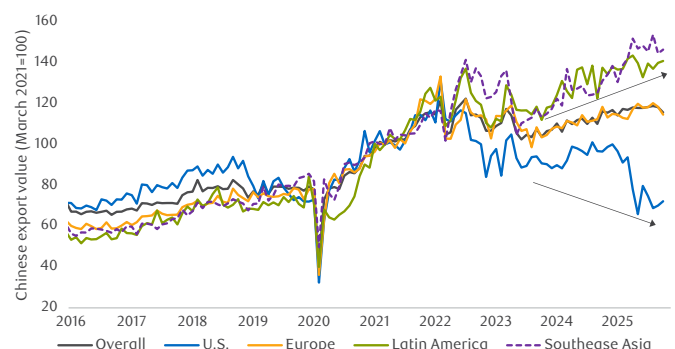
Note: As of Oct 2025. Source: CNBS, Macrobond, RBC GAM

Exhibit 25: China's productivity growth remains robust



Note: As of Q3 2025. Trend estimated using Hodrick-Prescott filter. Source: China National Bureau of Statistics, Macrobond, RBC GAM

Exhibit 26: China pivots from U.S. to other export markets



Note: As of Oct 2025. Source: China General Administration of Customs, Macrobond, RBC GAM

But the real driver of Chinese growth is the country's fast-expanding capacity for innovation. China has progressed from a copycat economy to one that is genuinely at the technological frontier. Its cutting-edge developments already span AI, computer chips, pharmaceuticals, electrical vehicles, batteries, solar panels and drones. China's "new economy" is beginning to fill the hole left by its housing bust.

China also retains some capacity to deliver additional monetary and fiscal stimulus, limiting the near-term downside economic risk.

Canadian confusion

It is unusually difficult to judge the current condition of the Canadian economy. It was certainly weak during the spring and summer. Since then, business surveys have shown a reluctance by companies to hire, and the labour supply has stagnated due a lack of population growth (Exhibit 27).

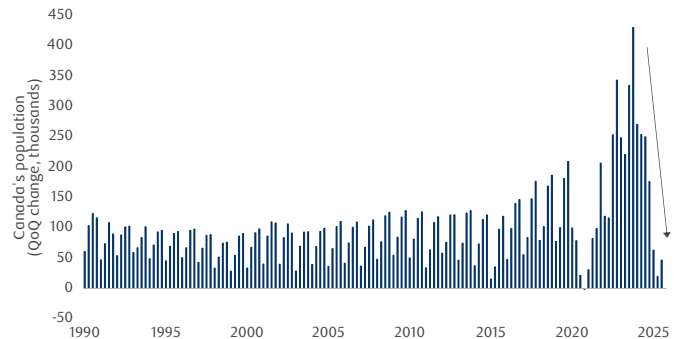
"We suspect the Canadian economy is picking up after a uniquely difficult period, but not quite on the scale of the most optimistic figures."

Somehow, though, the three most recent monthly job reports have all been extremely strong. Or not: a less closely watched payroll survey suggests substantial numbers of jobs are being lost.

There have also been unusual swings in other Canadian economic numbers, with third-quarter GDP up by far more than had been expected, but against a backdrop of stagnant domestic demand. Reflecting the latter condition, retail sales are softening (Exhibit 28).

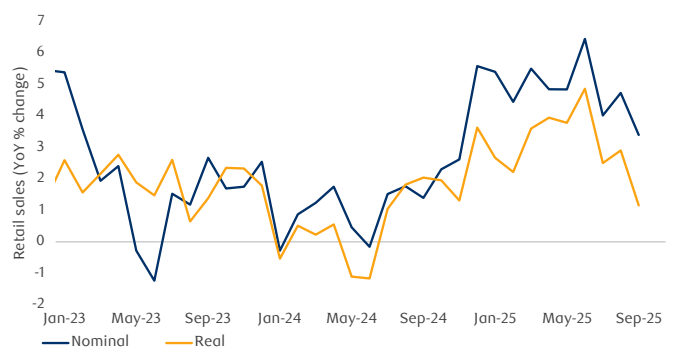
It is hard to know what to do with this jumble of contradictions. For our part, we suspect the Canadian economy is picking up after a uniquely difficult period, but not quite on the scale of the most optimistic figures. A recession appears to have been avoided. We continue to budget for a period of subdued growth through the first quarter of 2026 as tariff impacts settle and until greater clarity is achieved on the fate of the USMCA trade deal. At that point, the duo of rate cuts and fiscal stimulus should permit a steady acceleration into the end of the year (Exhibit 29).

Exhibit 27: Canada's population growth dropped as federal government cut immigration



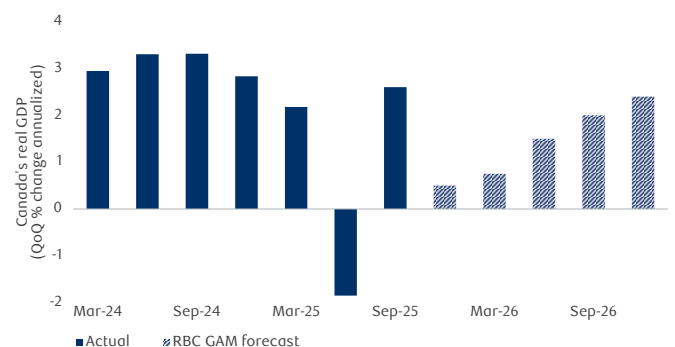
Note: As of 07/01/2025. Source: Statistics Canada, Macrobond, RBC GAM

Exhibit 28: Canadian retail sales decelerating



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

Exhibit 29: Canadian economy growth to improve in 2026



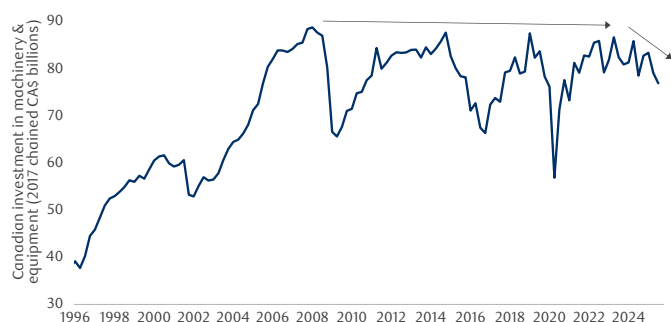
Note: Actual data as of Q3 2025. RBC GAM forecast as of 11/03/2025. Source: Statistics Canada, Macrobond, RBC GAM

Even after recent revisions dulled the edge of Canada's productivity underperformance over the past few years, the picture is still not pretty. Capital expenditures have stagnated or declined over many years (Exhibit 30). The government's latest budget goes some distance toward encouraging productivity-enhancing investments via accelerated depreciation and a reduction of red tape around

major infrastructure and resource sector investments. These measures should begin to help over the next few years.

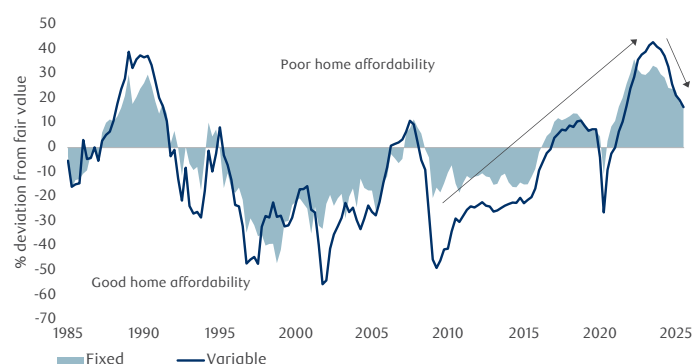
We presume that Canada's housing market will remain cool over the next year, providing more time for poor housing affordability to be remedied by rising incomes, falling interest rates and flat to falling home prices (Exhibit 31).

Exhibit 30: Canadian investment in machinery and equipment has declined since post-pandemic re-opening



Note: As of Q3 2025. Source: Statistics Canada, Macrobond, RBC GAM

Exhibit 31: Canadian housing affordability is poor but improving



Note: As of Q3 2025. Current carrying cost of a home versus the historical norm. Source: CREA, Statistics Canada, Haver Analytics, RBC GAM

Bottom line

Economic growth in 2026 should outpace this year's level as tariff headwinds fade, and interest-rate cuts, fiscal stimulus, AI expenditures and potentially faster productivity growth support economic activity.

The U.S. economy should remain among the developed-world's economic growth leaders, but it probably won't lap the field like in recent years. China should exceed consensus expectations as it successfully pursues an innovation agenda. The Canadian economy is probably not performing quite as well as the country's latest economic numbers would suggest, but its growth rate can accelerate in 2026.

Inflation stickiness should not be underestimated, but price pressures should ease somewhat over the coming year as tariff distortions are absorbed.

In financial markets, short-term interest rates will probably decline thanks to modest further monetary easing, while longer-term rates may be steadier as the bond market insists on a term premium in this era of large fiscal deficits and above-target inflation. The stock market may not replicate the large gains of recent years given the valuation starting point, but the combination of monetary easing and an economic soft landing has historically been fruitful.



Market outlook

High hopes for 2026



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



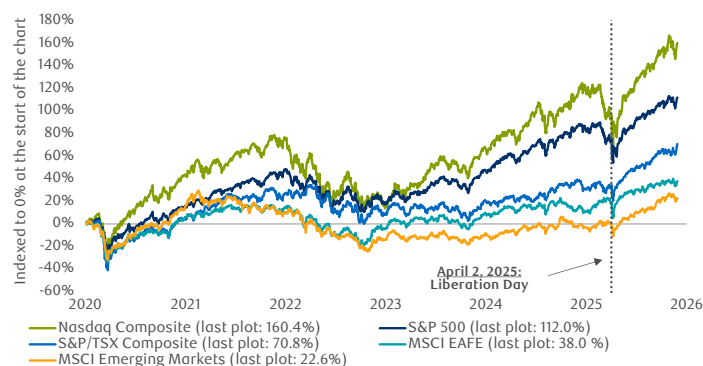
Daniel E. Chornous, CFA
Global Chief Investment Officer
RBC Global Asset Management Inc.

Financial markets were highly volatile earlier this year as the economy faced a variety of intense challenges but, as time progressed, risks appeared to subside and growth ultimately prevailed. While large-scale tariffs initially created significant uncertainty, it became increasingly clear that many of Trump's more extreme tariff announcements were negotiation tactics aimed at generating quick trade deals. Moreover, geopolitical tensions faded after a ceasefire in the Middle East and progress toward a peace plan between Russia and Ukraine, and declining short-term interest rates have provided a boost amid elevated levels of government debt. All in all, the challenges facing the economy are so far being managed, and the macroeconomic backdrop favours continued economic expansion. Growth may even accelerate in 2026, helped by falling interest rates and fiscal stimulus from the One Big Beautiful Bill.

In this macroeconomic environment, stocks performed remarkably well as investors grew increasingly excited about the benefits of artificial intelligence (AI). Most major stock-market indices enjoyed a powerful rebound following the tariff-induced slump earlier this year, climbing to records by the summer and extending those gains into the fall (Exhibit 1). Given concerns of an AI bubble, further stock gains may require other drivers, including confidence in the economic outlook and sustained earnings improvement. At this point, investors are extremely optimistic (Exhibit 2) and many expect that 2025's strong profit growth will continue into 2026.

Bond markets have been relatively calm compared to equity markets this year, although yields fluctuated as investors weighed the impact of slower economic growth and falling short-term interest rates against a backdrop of higher

Exhibit 1: Major equity-market indices
Cumulative price returns indices in USD



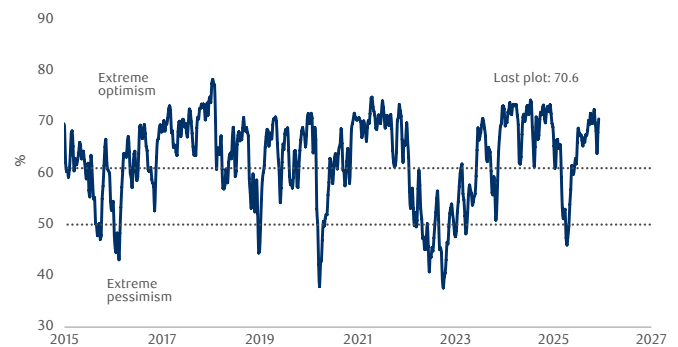
Note: As of November 28, 2025. Source: Bloomberg, RBC GAM

inflation and rising government deficits. The U.S. 10-year yield has settled near 4.0%, slightly below the 4.5% level at the start of the year. Our model suggests scope for continued declines in yields (Exhibit 3) as long as inflation stays under control and concerns about government deficits do not take centre stage.

Our base case scenario sees the economy continuing to expand at a moderate pace and inflation calming enough to allow the U.S. Federal Reserve (Fed) to continue cutting interest rates over the year ahead. Against this backdrop, we expect sovereign bonds to deliver cash-like returns and offer a ballast against equity-market volatility should the economy disappoint. Our current view is that stocks will continue to outperform bonds, though the potential for outsized gains in stocks has diminished after this year's strong run lifted valuations to extremes in some areas.

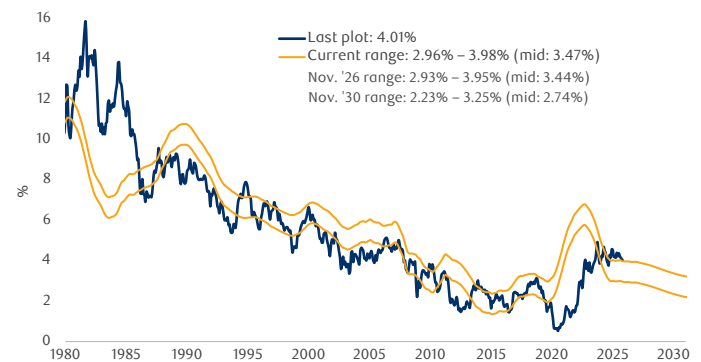
As a result, we have reduced our equity overweight position by one percentage point this quarter and placed the proceeds in cash. We have also used this opportunity to modify our regional equity allocations by increasing our exposure to U.S. equities in a move acknowledging that strong momentum in megacap technology stocks could persist. We nevertheless remain underweight U.S. equities given their relatively high valuations. Consequently, we have trimmed our exposure to international equities while maintaining a slight overweight position given their relatively appealing valuations. For a balanced global investor, our current recommended asset mix is 61.0% equities (strategic: "neutral": 60.0%), 37.0% bonds (strategic "neutral": 38.0%) and 2.0% cash.

Exhibit 2: Ned Davis Research Crowd Sentiment Poll Percent bulls



Note: As of December 4, 2025. Source: Ned Davis Research, RBC GAM

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



Note: As of November 30, 2025. Source: RBC GAM



Fed resumes interest-rate cuts

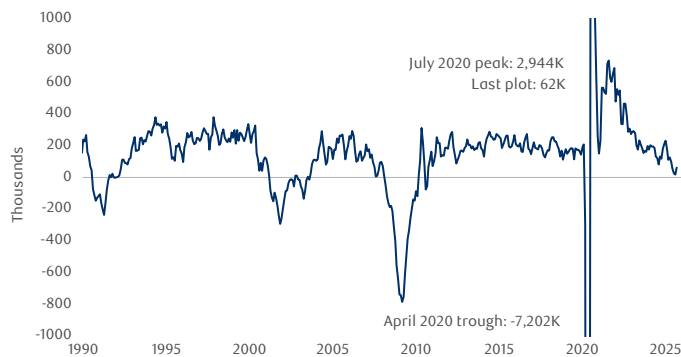
Softening labour-market data ultimately pushed an increasingly divided Federal Open Market Committee (FOMC) to lower interest rates after being on hold all year. The Fed lowered its policy rate by 25 basis points in September, October and December, and expects to continue lowering rates gradually over the year ahead amid slowing job gains and a rising unemployment rate (exhibits 4 and 5). Adding to the idea that the U.S. may continue cutting rates in 2026 is that a new Fed chair is expected to be appointed in the spring to replace Jerome Powell, and the U.S. administration would prefer someone who favours lower rates. As a result, market measures

indicate two more 25-basis-point reductions over the year ahead, in line with our own base case view (Exhibit 6).

Complicating this benign outlook on interest rates are lingering inflation pressures. At 3.0%, U.S. CPI headline inflation and core inflation remain modestly above the Fed's 2% target, and both have been rising since the summer (Exhibit 7). FOMC members appear to believe, however, that elevated price pressures are a result of tariffs, a temporary effect on the year-over-year measure that should subside later in 2026. The risk is that if inflation proves more stubborn, as it did in 2021 and into 2022, the Fed may be limited in the degree of accommodation it can deliver.

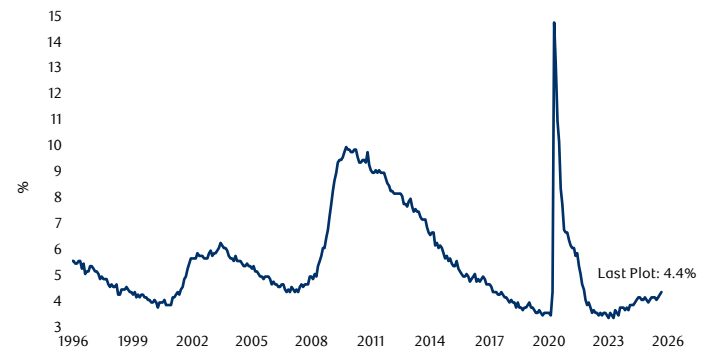
Exhibit 4: United States

Monthly change in non-farm employment (3mma)



Note: As of September 2025. 3mma = 3 months moving average. Source: Bureau of Labor Statistics

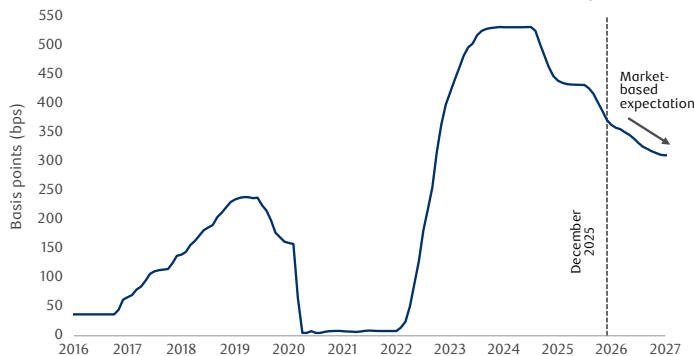
Exhibit 5: U.S. unemployment rate



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

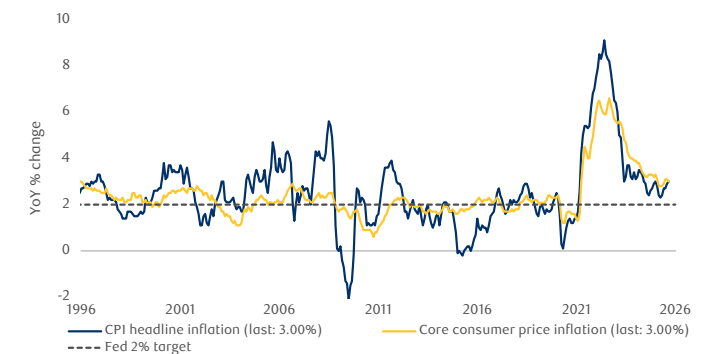
Exhibit 6: Implied fed funds rate

12-months futures contracts as of December 10, 2025



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

Exhibit 7: U.S. inflation measures



Note: As of September 30, 2025. Source: Bloomberg, RBC GAM

Sovereign bonds offer at least cash-like returns with only modest valuation risk

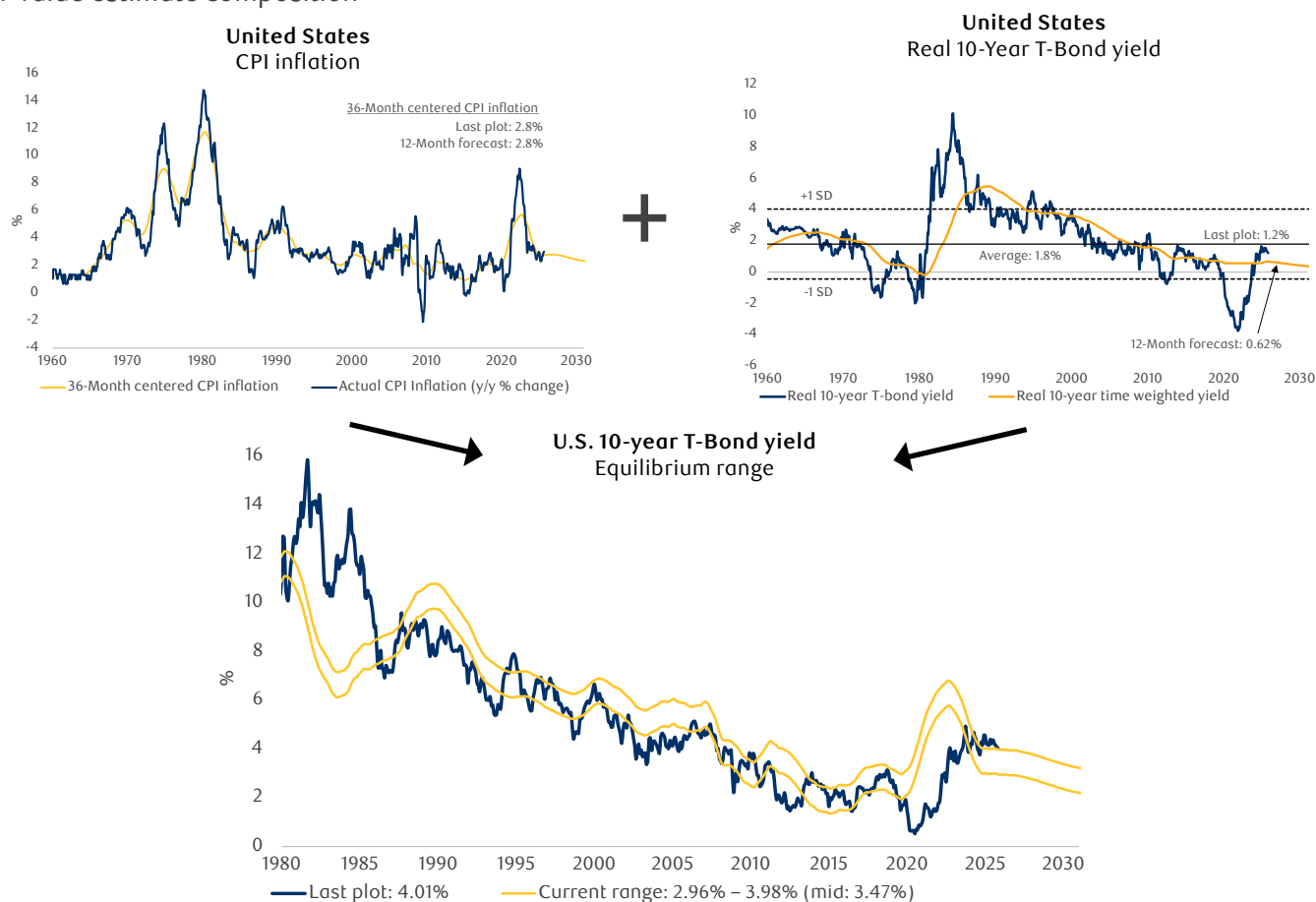
The outlook for medium- and longer-term government bond yields is a bit different than it is for short-term interest rates because the risk premium embedded in real yields could keep the U.S. 10-year yield from falling meaningfully from here. Exhibit 8 breaks down our bond model, which combines an inflation premium with a real yield to generate an estimate for the nominal yield. As of this writing, the inflation premium is close to the modelled level, but the real (i.e. after-inflation) yield is 70 basis points higher than we would expect. The higher real rate is partly a reflection of investor concerns around ballooning U.S. fiscal deficits. Our model argues that the 10-year yield should fall from the current 4.0%, but we would emphasize that the modelled trajectory depends

not just on inflation pressures subsiding, but also on a diminishment in concerns about governments' fiscal health. In reality, yields are unlikely to fall much further unless these worries are assuaged.

Yields in most major government bond regions around the world are also being supported by high real interest rates. All 10-year government bond yields except Japan's are near or above the upper end of their modelled equilibrium bands (page 38). The Japanese 10-year yield is an exception because it started from a relatively low level and has been adjusting higher to firmer inflation pressures and a new prime minister who recently announced plans for sizeable fiscal stimulus. With governments all around the world expressing few qualms

Exhibit 8: U.S. 10-year bond yield

Fair-value estimate composition



Note: As of November 30, 2025. Source: RBC GAM

about running large deficits, we are hesitant to bank on any meaningful capital appreciation from sovereign bonds over the year ahead. As a result, we forecast that government fixed-income assets will deliver coupon or cash-like returns.

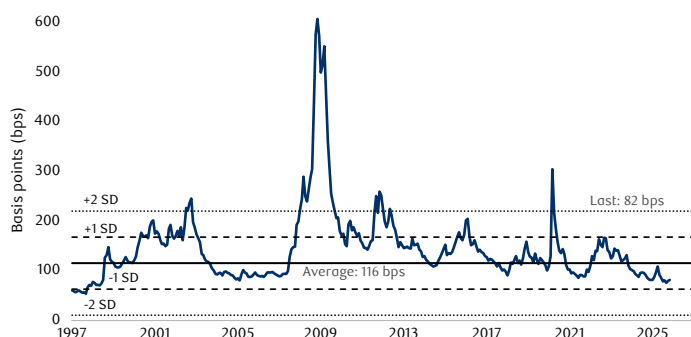
Credit markets offer little compensation for risk taking

Fixed-income investors looking for higher returns may find greater potential in corporate bonds, but the added compensation for taking this risk is historically small. The gap between government-bond yields and corporate-bond yields is the narrowest it has been since the aftermath of the 2008-2009 financial crisis for both investment-grade and high-yield securities (exhibits 9 and 10). The relatively limited compensation that fixed-income investors are being paid for

taking on credit risk suggests they may not want to take on excessive exposure to corporate bonds.

That said, the conditions for a sustained widening in spreads are not in evidence. Corporate leverage is the lowest it has been in the past decade and interest-coverage ratios have been strengthening since the start of the year (exhibits 11 and 12). These metrics suggest corporate balance sheets are strong and that companies are well positioned to meet their financial obligations. As a result, the risk of corporate defaults is low, and the narrow-spread environment could persist barring deterioration in the economy or corporate earnings. Indeed, this phase of the credit cycle is often a lengthy one, especially when recession concerns are relatively subdued.

Exhibit 9: ICE BofA Canada Corporate Index spread



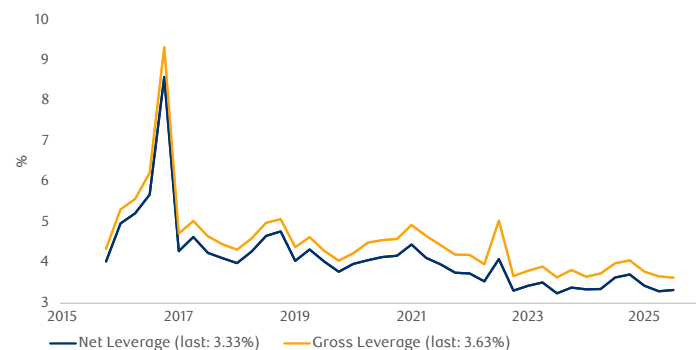
Note: As of November 28, 2025. Source: ICE BofA, Bloomberg, RBC GAM

Exhibit 10: ICE BofA US High Yield Index spread



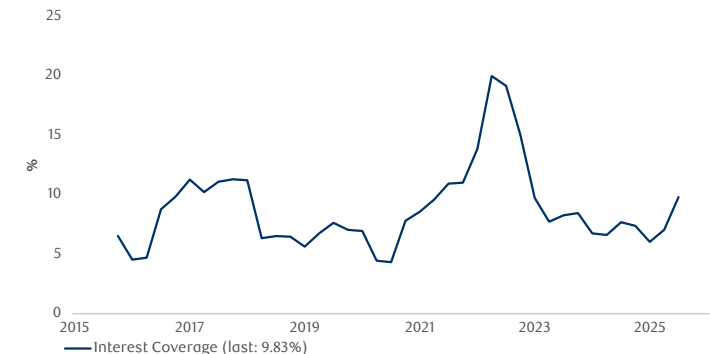
Note: As of November 28, 2025. Source: ICE BofA, Bloomberg, RBC GAM

Exhibit 11: S&P/TSX Composite non-financial companies – Gross & net leverage



Note: As of Q3 2025. Net leverage means cash & equivalents are subtracted from total debt. Source: Bloomberg, RBC GAM

Exhibit 12: S&P/TSX Composite non-financial companies – Interest coverage



Note: As of Q3 2025. Source: Bloomberg, RBC GAM

Stocks delivered impressive gains, valuations creeping higher

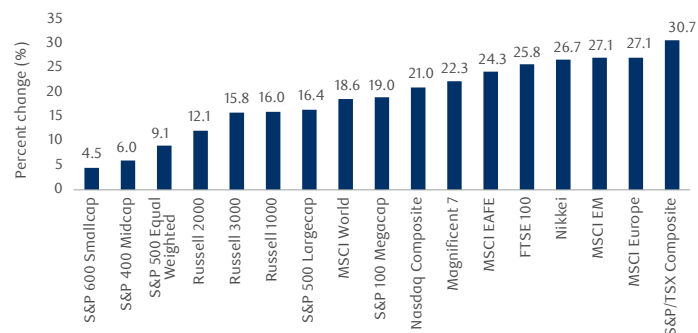
Equity markets ultimately found their footing in 2025 and rewarded investors with strong returns in most major markets. Exhibit 13 plots year-to-date price returns for a variety of indices in U.S. dollars. The rewards were such that the S&P 500 Index's impressive 16.4% gain situated it in the middle of the pack. Small-cap stocks underperformed, while most international markets outperformed the S&P 500 by a wide margin. The MSCI EAFE, MSCI Emerging Markets, MSCI Europe and S&P/TSX Composite rose 24.3%, 27.1%, 27.1%, and 30.7%, respectively.

The strong gains mean that valuations have been creeping higher almost everywhere, and the overvaluation story is no longer just a U.S. large-cap phenomenon. At 13.6% above fair value, our global composite of equity-market valuations suggests stocks are now the most expensive they've been since early 2022 (Exhibit 14). Within the composite, the S&P 500 is the most expensive, but equity markets in Canada and Japan are also close to a full standard deviation above their fair values. Stock indices in Europe and emerging markets continue to trade at attractive distances below their fair value (page 39). If we exclude the U.S. from our composite, global equities in aggregate are still 5.4% below fair value, indicating that a significant fraction of markets offer the potential for decent returns.

Expanding profit margins fueled double-digit S&P 500 profit growth

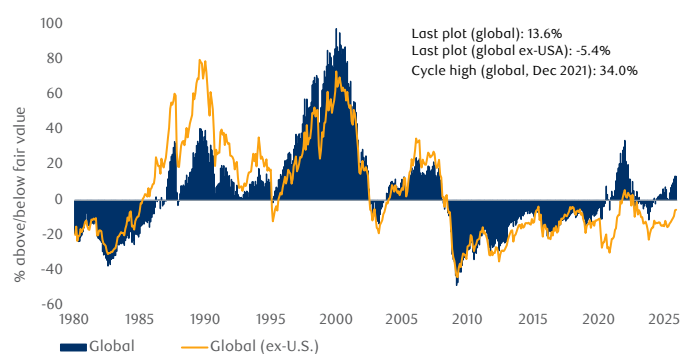
With the S&P 500 trading at an expensive valuation, profit growth will be increasingly critical to sustaining any further advance in stocks. The good news is that expansion in S&P 500 profit margins has helped to convert modest revenue growth into double-digit earnings growth. Any drag from tariffs was offset by falling interest rates and improved efficiencies helped in part by AI advancements, lifting profit margins by a full percentage point to 13% at the start of the year (Exhibit 15). This is a meaningful increase because every one-percentage-point increase in profit margin from current levels boosts earnings by 7% to 8%. As a result, even a slow pace of economic growth is sufficient to generate double-digit profit gains in an environment where profit margins are expanding at such a pace. Our forecasts suggest 5% revenue growth based on the historical relationship between sales

Exhibit 13: Major indices' price change in USD
2025 year-to-date



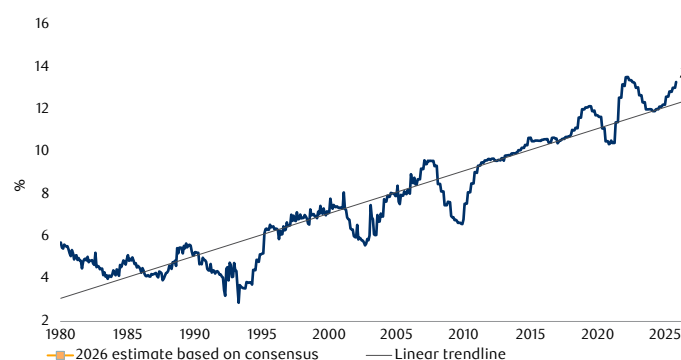
Note: As of November 28, 2025. Magnificent 7 includes Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta and Tesla. Source: Bloomberg, RBC GAM

Exhibit 14: Global stock-market composite
Equity market indexes relative to equilibrium



Note: As of November 28, 2025. Source: RBC GAM

Exhibit 15: S&P 500
Net Margin



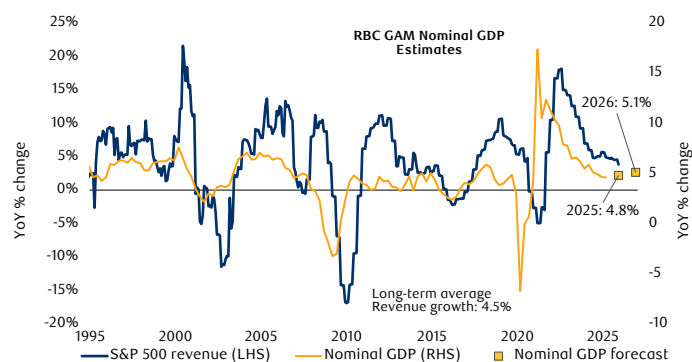
Note: As of November 2025. Source: Bloomberg, RBC GAM

growth and nominal GDP (Exhibit 16). If analysts are right in their expectation for another one-percentage-point increase in profit margins next year, double-digit profit growth is attainable in 2026.

Earnings have been coming in significantly better than expected and analysts' estimates have been rising. In the latest period, 83% of earnings releases beat analysts' expectations, the most since early 2021 (Exhibit 17). The consensus earnings estimate is for 14.6% earnings growth in 2026 following expectations of 13.0% for the current year (Exhibit 18).

Exhibit 16: United States

S&P 500 revenue and nominal GDP

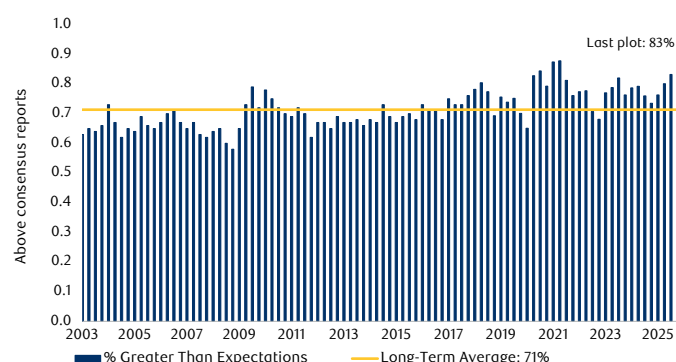


Note: As of November 28, 2025. Source: Bloomberg, RBC GAM

S&P 500 highly concentrated with Magnificent-7

One of the main challenges for the U.S. large-cap equity market is that its performance has become increasingly dependent on a handful of companies that are trading at what may be very expensive valuations. The Magnificent-7 (Mag-7: Apple, Microsoft, Google, Amazon, Nvidia, Tesla and Meta), which now astonishingly accounts for just over a third of the S&P 500 weight, trades at 34 times next year's earnings forecasts compared with 21 for the S&P 500 excluding the Mag-7 (Exhibit 19). There has been a great deal of chatter in the media that U.S. stock market may be in bubble. We acknowledge that valuations are stretched, and investors will need to worry if lofty earnings expectations don't come to fruition.

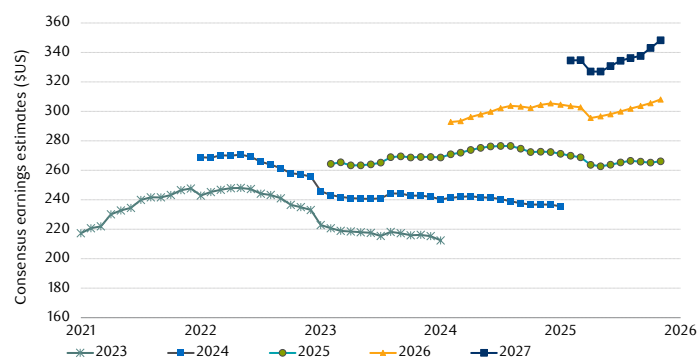
Exhibit 17: S&P 500 companies reporting results above consensus forecasts



Note: As of November 28, 2025. Source: Refinitiv

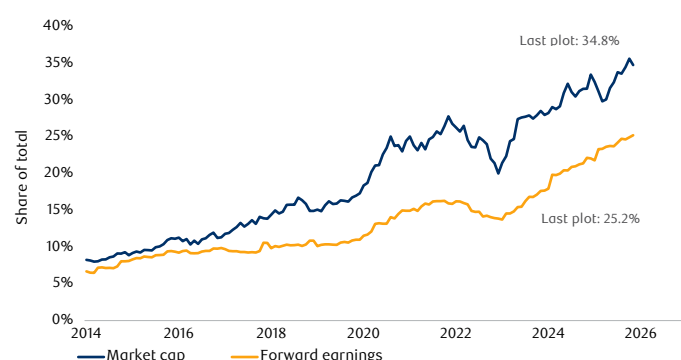
Exhibit 18: S&P 500 Index

Consensus earnings estimates



Note: As of November 28, 2025. Source: Bloomberg, RBC GAM

Exhibit 19: 'Magnificent-7' as a share of S&P 500 Index



Note: Magnificent-7 includes Apple, Microsoft, Google, Amazon, Nvidia, Tesla and Meta. Tesla was added in Dec 2020 when it was included in the S&P 500. As of November 28, 2025. Source: RBC GAM

Exhibit 20: S&P 500 Index

Normalized (Equilibrium) Price/Earnings Ratio

Mag-7 versus S&P 500 ex. Mag-7 breakeven analysis: assumptions

As of November 28, 2025

	S&P 500 ex. Mag-7	Magnificent-7
Price	100.00	100.00
P/E	20.96	34.03
Trendline EPS	\$4.77	\$2.94
Trendline earnings growth	6.19%	17.93%
Discount rate	6.35%	6.35%

Earnings growth required to justify Mag-7 premium

As of November 28, 2025

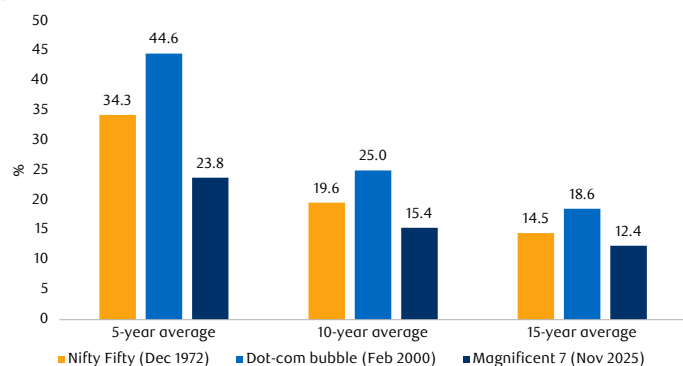
Years	S&P 500 ex. Mag-7 earnings	Cumulative earnings	Present value of cumulative earnings (S&P 500 ex. Mag-7)	Earnings growth required for Mag-7 to catch up to rest of S&P 500 (annualized)
0	\$4.77			
1	\$5.07	\$5.07	\$4.76	72.4%
2	\$5.38	\$10.45	\$9.52	45.5%
3	\$5.71	\$16.16	\$14.27	34.1%
4	\$6.07	\$22.23	\$19.02	27.8%
5	\$6.44	\$28.68	\$23.75	23.8%
6	\$6.84	\$35.52	\$28.48	21.1%
7	\$7.27	\$42.79	\$33.21	19.1%
8	\$7.72	\$50.50	\$37.92	17.5%
9	\$8.20	\$58.70	\$42.63	16.3%
10	\$8.70	\$67.40	\$47.33	15.4%
11	\$9.24	\$76.65	\$52.03	14.5%
12	\$9.82	\$86.46	\$56.72	13.9%
13	\$10.42	\$96.88	\$61.40	13.3%
14	\$11.07	\$107.95	\$66.08	12.8%
15	\$11.75	\$119.71	\$70.74	12.4%

Note: As of November 28, 2025. Source: RBC GAM

But it is entirely possible that the high price being paid for the Mag-7 stocks will ultimately be justified by extremely rapid earnings gains. To get an idea what that profit-growth rate might need to be, we ran a break-even analysis comparing the Mag-7 with the S&P 500 excluding the Mag-7. The analysis was performed over a variety of investment horizons with the results listed in Exhibit 20. If we assign a five-year horizon for the same amount invested in either the Mag-7 or the S&P 500 excluding Mag-7 to generate the equivalent amount of

earnings measured in today's dollars, the Mag-7 would need to grow their profits at 23.8% a year for the next five years to make up for its premium valuation. Extending that horizon to 10 years means that figure is 15.4% and pushing the time frame to 15 years makes the required growth rate 12.4%. These are demanding numbers, but not impossible, and they are lower than the returns required to justify the Nifty Fifty valuations in the early 1970s and technology stock valuations in the late 1990s/early-2000s dot-com bubble (Exhibit 21).

Exhibit 21: Earnings growth required to justify premium valuations



“It is entirely possible that the high price being paid for the Mag-7 stocks will ultimately be justified by extremely rapid earnings gains.”

Note: As of November 30, 2025, Magnificent 7 compares the Magnificent 7 to the rest of the S&P 500. Dot-com bubble compares the Russell 3000 Growth to the Russell 3000 Value. Nifty Fifty compares the Nifty Fifty to the S&P 500. Source: Bloomberg, RBC GAM

Scenario analysis reveals unfavourable risk/reward for S&P 500

Zooming out to the overall U.S. large-cap market, the S&P 500's current elevated valuation of 25.4x trailing earnings (or 1.6 standard deviations above our estimate of equilibrium) makes it difficult to generate significant further upside. Exhibit 22 outlines combinations for the S&P 500 based on

consensus earnings and various P/E multiples. The historically normal P/E in the context of current levels of interest rates, inflation and corporate profitability – i.e. equilibrium – is 17.8, and the consensus of analysts' earnings estimates for 2026 is US\$309.30. The product of those two numbers implies a fair value for the S&P 500 by the end of next year of just 5513, which is a 17% decline from the close on November 28, 2025.

Exhibit 22: Earnings estimates and alternative scenarios for valuations and outcomes for the S&P 500

		Consensus	Total Return			Consensus	Annualized
		2025	2025			2026	Total Return
		2026				2026	
P/E		\$271.81		P/E		\$309.28	
+2 Standard Deviation	27.2	7380.2	8%	27.0	8347.2	21%	
+1 Standard Deviation	22.5	6127.5	-10%	22.4	6930.3	2%	
+0.5 Standard Deviation	20.2	5501.1	-20%	20.1	6221.9	-7%	
Equilibrium	17.9	4874.7	-29%	17.8	5513.4	-17%	
-0.5 Standard Deviation	15.6	4248.4	-38%	15.5	4805.0	-27%	
-1 Standard Deviation	13.3	3622.0	-47%	13.2	4096.5	-37%	
-2 Standard Deviation	8.7	2369.2	-65%	8.7	2679.7	-57%	

Note: As of November 28, 2025. Total returns for 2026 are annualized. Source: LSEG I/B/E/S, RBC GAM

Less pessimistically, should the P/E trade at one standard deviation above equilibrium i.e. 22.4, then the resulting level for the S&P 500 improves to 6930, although that is still not far above the S&P 500's level at the time of this writing. Generating average or above-average returns from here would require the P/E to exceed 1 full standard deviation above equilibrium or for earnings to come in much better than expected. Then again, investors appear comfortable assigning a premium valuation to U.S. large caps, and it is hardly automatic that the market will change its mind over the coming year. The U.S. is undeniably a fertile environment for dynamic companies, and this is potentially a time of remarkable technological advancement. Still, with valuations at the upper end of their historic range (Exhibit 23), the market is vulnerable to any disappointment.

Styles: large-cap growth leads the way

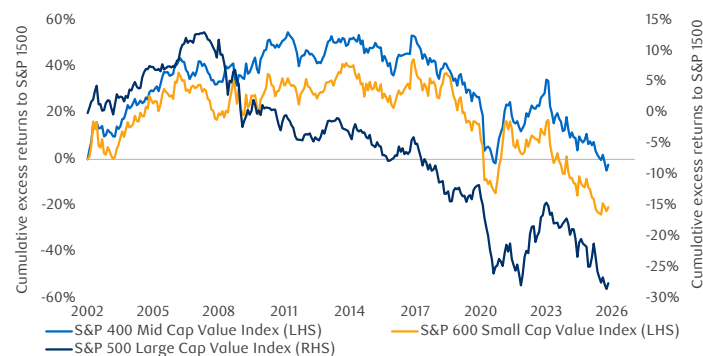
U.S. equity-market gains this year have been generated almost exclusively by large-cap growth stocks. Exhibits 24 and 25 plot charts the relative performance of growth and value stocks grouped by market capitalization. The only line rising on these charts is the one for large-cap growth, while all the other lines are in downward trends. For context on the numbers, large-cap growth stocks have gained 21.7% year-to-date as of November 28, 2025, whereas small-cap value stocks have only gained 3.6%, underperforming by 18.1 percentage points. This gap reflects the extent to which megacap technology stocks are benefiting tremendously from excitement around AI and the hundreds of billions of dollars in capital expenditures being announced to support it. While U.S. large-cap stocks may be expensive, we recognize that there is significant momentum behind them, and that shorter-term momentum can outweigh valuation concerns. As a result, being underexposed to megacap growth companies could be costly especially if their leadership of the U.S. equity market's advance remains concentrated.

Exhibit 23: S&P 500 Index
Normalized (Equilibrium) Price/Earnings Ratio



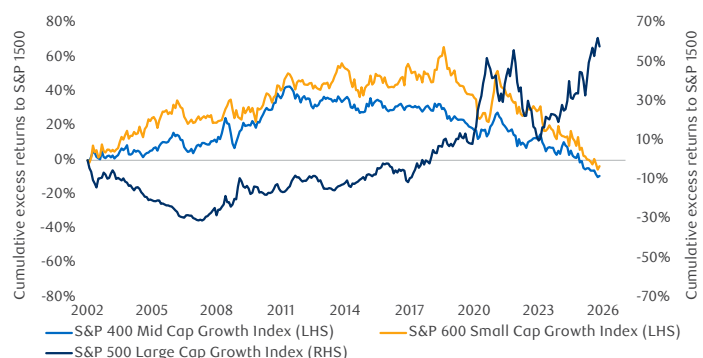
Note: As of November 28, 2025. Source: RBC GAM

Exhibit 24: Returns for Value
S&P value indices



Note: As of November 28, 2025. Source: S&P Dow Jones Indices, Bloomberg, RBC GAM

Exhibit 25: Returns for Growth
S&P growth indices



Note: As of November 28, 2025. Source: S&P Dow Jones Indices, Bloomberg, RBC GAM

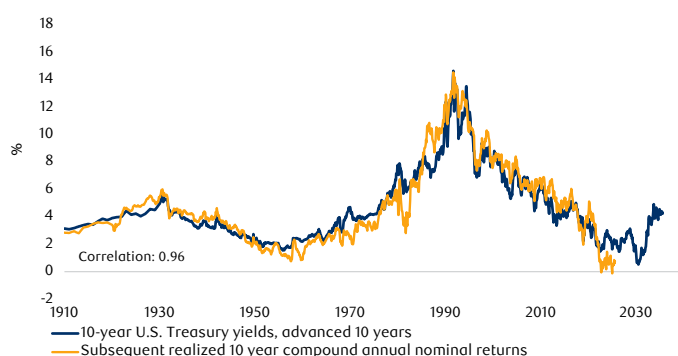
Asset mix – trimming equity overweight and narrowing tilt to non-U.S. regions

Our asset mix balances the risks and opportunities surrounding our base case scenario. We see the economy continuing to expand into 2026 and inflation pressures moderating, which should allow the Fed to continue lowering interest rates at a gradual pace. This benign outcome is subject to a variety of risks, the key ones being inflation, uncertainty around U.S. policy and elevated global government-debt levels.

Against this backdrop, we continue to expect stocks to outperform bonds. But the scope for outsized equity outperformance may be limited given that valuations are elevated, particularly in the area of U.S. large-cap growth. Exhibits 26 and 27 plot return-forecasting tools for U.S. 10-year bonds and the S&P 500, respectively. A good proxy for estimating long-term returns on 10-year Treasuries is the current yield, which is 4.01% at the time of this writing. For stocks, a high Shiller Cyclically Adjusted P/E (CAPE) has tended to predict inferior S&P 500 returns over the subsequent decade. The current CAPE of 32.8 is consistent with long-term returns of 4.50% in the stock market, which is only modestly better than the 4.01% expected for bonds.

As a result, in balancing the risks and opportunities to our base case scenario, we have decided to trim our equity overweight position by one percentage point this quarter, moving the proceeds to cash. This shift reflects our view that the risk/reward in stocks has diminished as a result of the strong run in equities over the past several months, pushing valuations in some markets to especially demanding levels. Still, a small equity overweight remains – consistent with the historical outperformance of equities, alongside a supportive macro environment including the prospect of moderate economic growth, falling inflation, central bank rate cuts and rising earnings. Simultaneously, we have used this opportunity to adjust our regional tilts by narrowing the underweight in North American equities. While we acknowledge that U.S. equities offer limited upside potential from a valuation standpoint, we observe strong momentum in large-cap growth stocks as well as their profit growth, and being underweight could be costly should those trends persist. Consequently, we have reduced our exposure to international equities but are maintaining a slight overweight position to these regions given their relatively appealing valuations. For a balanced global investor, our current recommended asset mix is 61.0% equities (strategic: “neutral”: 60.0%), 37.0% bonds (strategic “neutral”: 38.0%) and 2.0% cash.

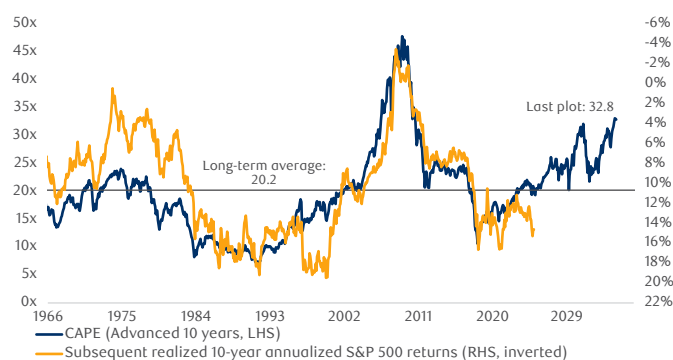
Exhibit 26: U.S. 10-year Treasury note and returns



Note: November 28, 2025. Source: Deutsche Bank, Macrobond, RBC GAM

Exhibit 27: Shiller's CAPE

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

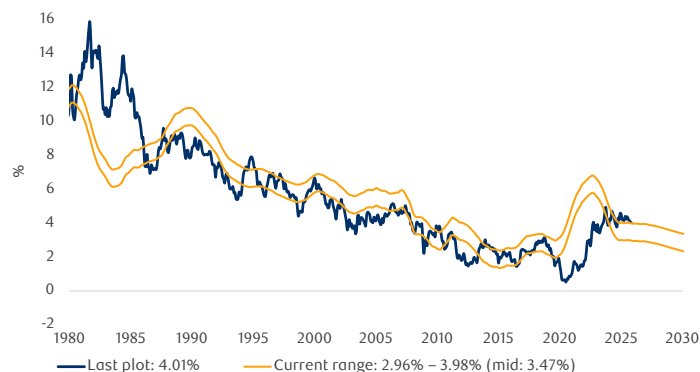


Note: As of November 28, 2025. Source: Macrobond, Bloomberg, RBC GAM

Global fixed income markets

U.S. 10-Year T-Bond Yield

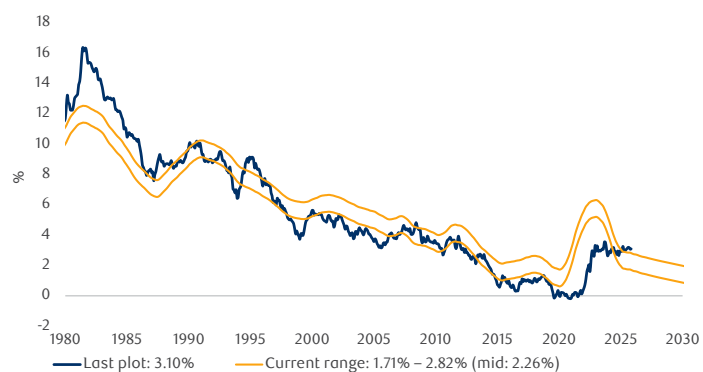
Equilibrium range



Note: As of November 30, 2025. Source: RBC GAM

Eurozone 10-Year Bond Yield

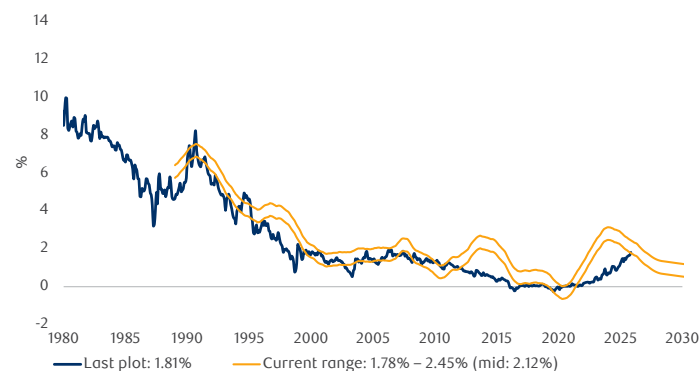
Equilibrium range



Note: As of November 30, 2025. Source: RBC GAM

Japan 10-Year Bond Yield

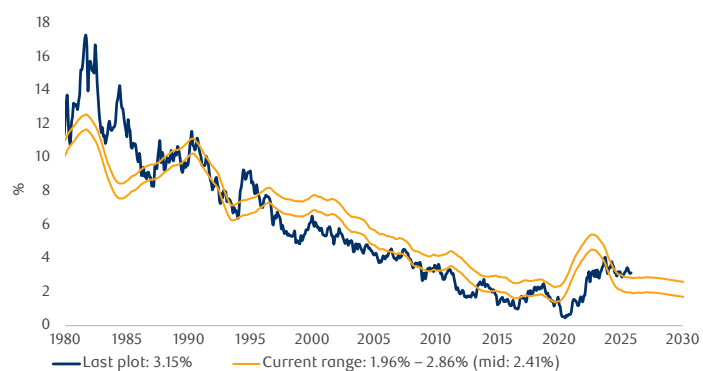
Equilibrium range



Note: As of November 30, 2025. Source: RBC GAM

Canada 10-Year Bond Yield

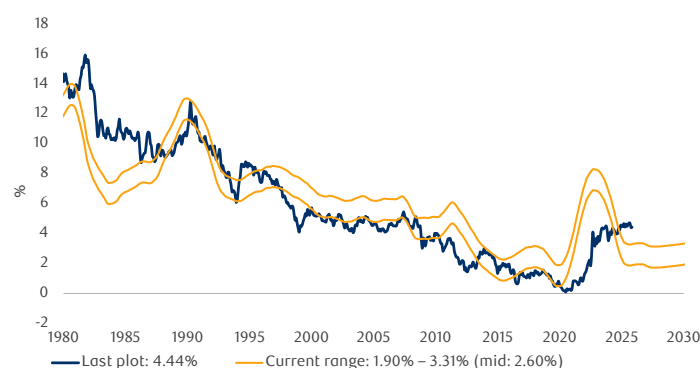
Equilibrium range



Note: As of November 30, 2025. Source: RBC GAM

UK 10-Year Gilt

Equilibrium range



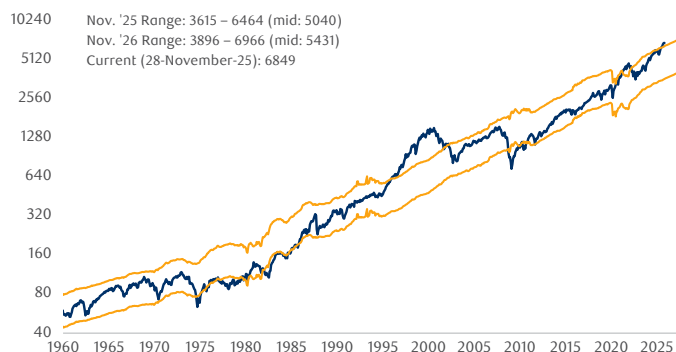
Note: As of November 30, 2025. Source: RBC GAM

“All 10-year government bond yields except Japan’s are near or above the upper end of their modelled equilibrium bands.”

Global equity markets

S&P 500 Equilibrium

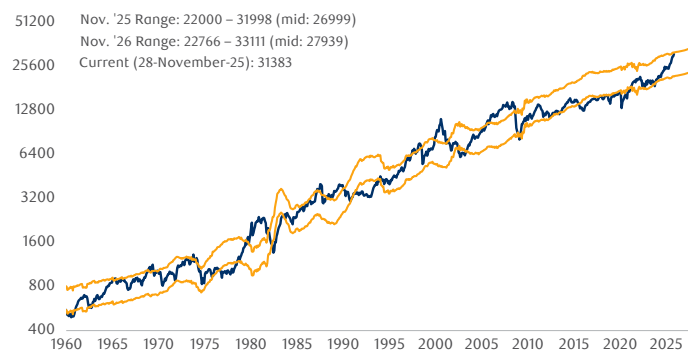
Normalized earnings and valuations



Note: As of November 30, 2025. Source: RBC GAM

S&P/TSX Composite Equilibrium

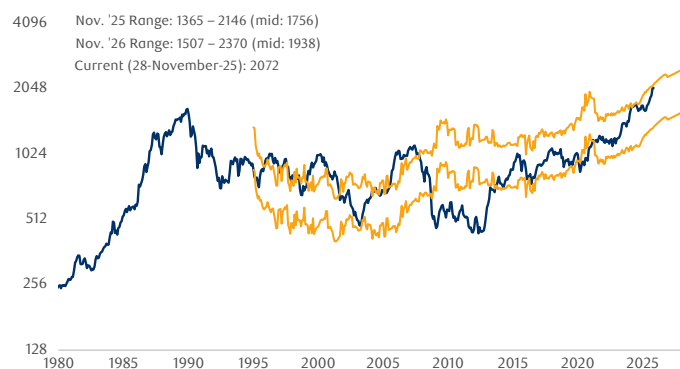
Normalized earnings and valuations



Note: As of November 30, 2025. Source: RBC GAM

MSCI Japan Index

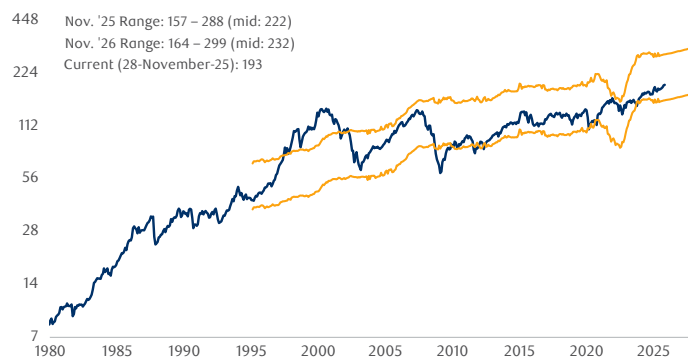
Normalized earnings and valuations



Note: As of November 30, 2025. Source: RBC GAM

MSCI Europe Index

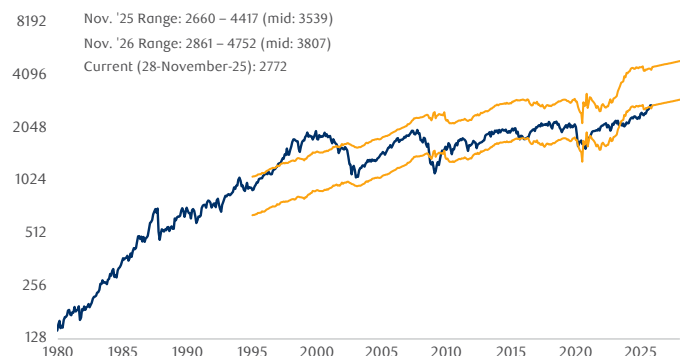
Normalized earnings and valuations



Note: As of November 30, 2025. Source: RBC GAM

MSCI UK Index

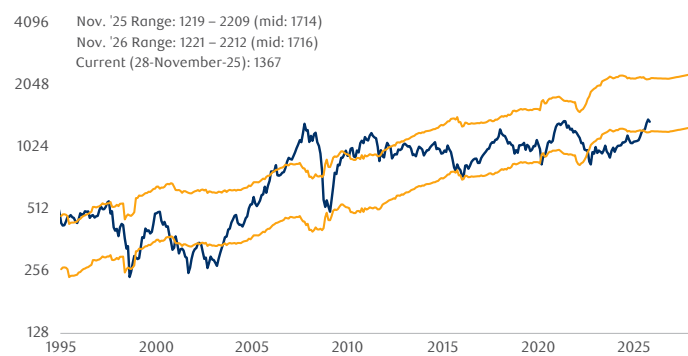
Normalized earnings and valuations



Note: As of November 30, 2025. Source: RBC GAM

MSCI Emerging Markets Index

Normalized earnings and valuations



Note: As of November 30, 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



Soo Boo Cheah, MBA, CFA
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Senior Portfolio Manager
RBC Global Asset
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Senior Portfolio Manager
RBC Global Asset
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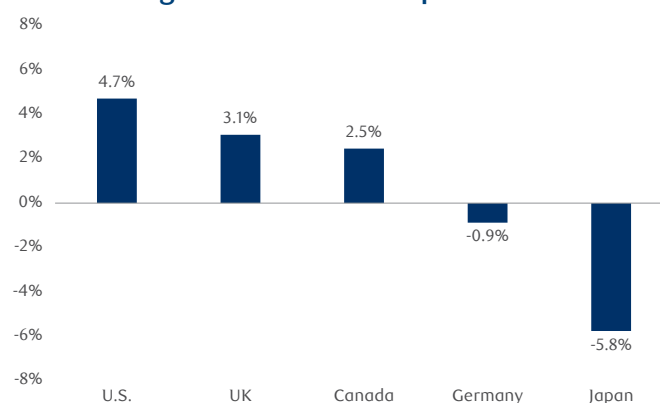


Taylor Self, MBA, CFA
Portfolio Manager
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The negativity that stalked the U.S. government-bond market in April masked what will surely be a surprise to many investors: Treasuries have been the best-performing major government-bond market (Exhibit 1) since President Trump’s sweeping tariffs were announced on “Liberation Day.” The rebound in U.S. government bonds since the spring has reflected falling U.S. bonds yields and expectations that the U.S. Federal Reserve (Fed) will extend interest-rate cuts into 2026, as well as the fact that the worst-case tariff scenario has not come to pass. Investors are, to be sure, still concerned about the sustainability of government finances and inflation, and these worries are at least partly reflected in higher fixed-income risk premiums.

Closer to home, the Bank of Canada worries are at least partly reflected in higher fixed-income risk premiums. (BOC) strongly signaled that it has completed its current round of interest-rate reductions. Meanwhile, updates from the federal and provincial governments indicate that another year of fiscal largesse is in store for Canada, with the combined budget deficit likely to reach at least 4% of GDP. We expect subdued economic growth next year and above-2% inflation to keep yields from dropping precipitously, absent a recession. Fixed-income returns should be on par with cash. A decent backdrop for economic growth, as well as solid corporate profits and balance sheets, lead us to recommend that investors be overweight corporate bonds relative to government bonds. Please read our backgrounder on Canadian corporate fixed income below, as we plan to begin issuing recommendations on this area of the bond market in the near future.

Exhibit 1: Regional bond market performance in 2025



Note: Data as of December 5, 2025. All returns expressed in currency-hedged terms to Canadian dollars. Source: FTSE Russell, RBC GAM calculations

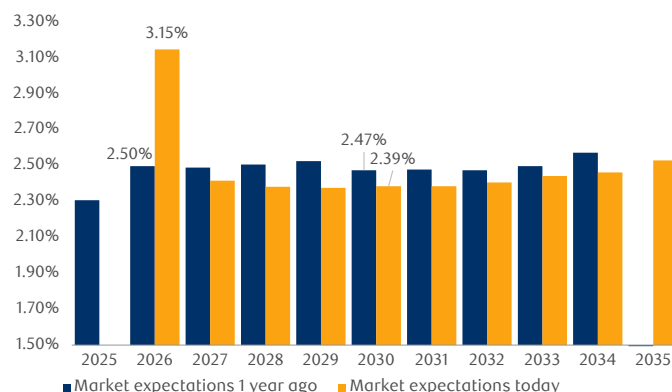
In early 2025, investor concerns were rampant surrounding the sustainability of the U.S. fiscal position, the threat of a re-acceleration of inflation due to tariffs and the erosion of Fed independence as President Trump increasingly and very publicly called for lower interest rates. Meanwhile, economic growth was expected to falter under the pressure of the tariffs. None of these things happened.

Inflation has not accelerated nearly as much as feared after foreign companies offset tariffs by neglecting to fully pass on their higher costs to customers, and trading partners made full use of less-well-publicized tariff exemptions. Investors have believed that inflation from tariffs would be transitory, with Exhibit 2 suggesting that the impact would not last more than a year. As a result, long-term bond yields did not rise nearly as much as was expected in April. Meanwhile, the U.S. fiscal position appears to have marginally improved as tariff-related revenues have become a significant revenue source for Congress after efforts by the administration's new Department of Government Efficiency to reduce expenses largely fell flat.

The question of Fed independence has also been near and dear to investors' hearts over the past year given that President Trump made increasingly strident calls for lower rates, which the Fed did eventually deliver. Why are investors not more concerned? Because Trump has so far been right: the state of the economy (lower inflation and softer labour markets) merited some easing of policy from a restrictive stance. President Trump's calls may have come via social media, but the majority of pre-Trump econometric models were saying that the economy needed slightly lower interest rates.

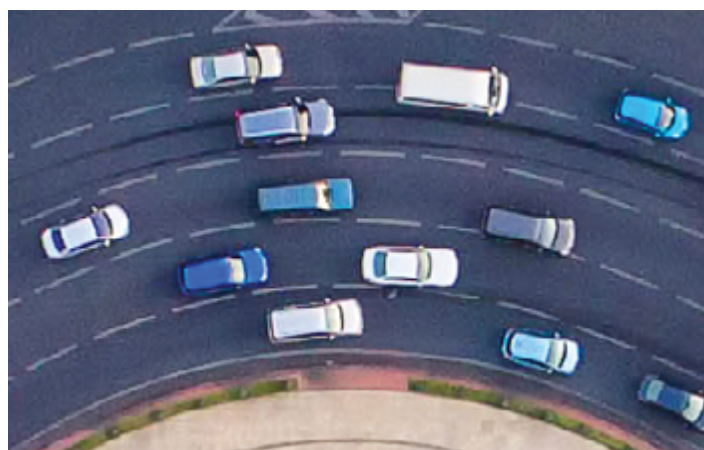
To some, it feels like the market dodged a bullet (or a full broadside volley) in 2025. For 2026, it appears that the tailwinds for bonds (lower-than-expected inflation, easing fiscal concerns and easier money policy) are likely to ebb. This is not a terrible starting point for bond investors. The amount of extra yield that investors demand in exchange for lending over longer periods (the "term premium") has risen consistently over the course of the past year.

Exhibit 2: Market participants considered tariff-related price increases as likely to be transitory



Note: Data as of mid-October 2025. Source: Bloomberg, RBC GAM calculations using zero-coupon inflation swaps

Steeper yield curves across most markets should provide a cushion for returns as the tailwinds from 2025 are unlikely to be repeated. On growth, we expect non-recessionary conditions in all markets. In fact, growth is more likely to accelerate in the first half of the new year, as fiscal stimulus arrives and passthrough from prior policy-rate cuts start to have an impact. Inflation is also likely to remain relatively hot, running at nearly 3%. Better economic growth and higher-than-target inflation mean that central banks are unlikely to embark on further easing programs. Moreover, for central banks that are expected to ease significantly in 2026, such as the Fed, we would anticipate that they deliver fewer rate cuts than market indicators suggest.





We anticipate that the BOC has concluded its easing cycle and foresee that the yield on the Canadian 10-year government bond will trade at 3.25% at some point over the next year.

Canada

The Bank of Canada (BOC) reduced interest rates twice following a six-month pause, with cuts occurring in September and October. These reductions brought the policy rate to 2.25%. The BOC believes it has reached the limit of the support it should provide to the economy amid the trade-war-driven economic restructuring. However, uncertainty continues to weigh heavily on the economy, and the bank has left the door open for further easing if the outlook worsens. The USMCA re-negotiation in July 2026 presents a considerable risk to the Canadian economy, and failure to reach a deal could have a major negative impact. We anticipate that the BOC has concluded its easing cycle and foresee that the yield on the Canadian 10-year government bond will trade at 3.25% at some point over the next year, not far from where it is now.

We expect the Canadian yield curve to continue steepening (that is, for longer-term yields to fall less than short-term yields), driven by the need for fiscal stimulus and higher term premiums. The much-anticipated federal budget was unveiled in early November, and the significant spending and large deficit that it envisions are expected to stimulate the economy. The federal government estimates that the 2025-2026 deficit will be \$78.3 billion, or 2.5% of GDP, versus \$42.2 billion in December 2024.





We have raised our 10-year gilt-yield forecast by 0.25% to 4.50%, anticipating a trading range of 4.30%-4.70% over the next year.

United Kingdom

The UK gilt market has faced significant headwinds this year, with higher coupon income providing a crucial buffer against price losses stemming from rising yields on longer-term bonds. Persistent inflationary pressures and concerns about government spending, coupled with a lack of productivity growth, have weighed heavily on investor sentiment. The fear of increased supply of long-maturity bonds and eroding purchasing power have driven investors to demand higher yields on long-maturity bonds.

The autumn budget, released on November 26, highlighted the fragility of the UK's fiscal position. Investors remain sceptical about the government's reliance on revised economic-growth projections to bolster revenues. The Chancellor's commitment to a near-balanced budget over a rolling five-year period, while well-intentioned, may inadvertently contribute to yield volatility. The market is now grappling with the uncertainty of less frequent forecast revisions and adjustments.

Uncertainty regarding the speed at which inflation comes down is also keeping investors on edge. Recent data confirms that consumer inflation has peaked and is gradually declining from the current 3.5% headline figure, but elevated labour-cost growth and entrenched inflation expectations suggest that a return to the Bank of England's (BOE) 2% targeted level within the next 12 months is far from guaranteed.

Market indicators point to a 0.60% reduction in the BOE's policy rate of 3.4% in a year's time, and project this level as the bottom of the current easing cycle. Our revised forecast aligns with this view, projecting that the BOE policy rate will fall to 3.5% from the current 4.0%, or 25 basis points higher than in the previous Global Investment Outlook. In the context of developed markets, expectations for policy-rate changes appear broadly in line with peers, many of whose central banks are either on hold or nearing the end of their easing cycles. Reflecting these considerations, we have raised our 10-year gilt-yield forecast by 0.25% to 4.50%, anticipating a trading range of 4.30%-4.70% over the next year.





We forecast for 10-year Chinese bond yield to be mildly higher in the next 12 months to 2.00% from current level of 1.83%.

China

In recent years, China's interest rates have been suppressed by a gradual economic slowdown, below-target inflation and surging household savings. Demand for longer-maturity bonds has been damped this year, even with monetary easing by the People's Bank of China (PBOC), given aggressive fiscal stimulus aimed at supporting growth and buttressing the struggling property market and the July announcement of a 6% valued-added tax on interest income from newly issued government bonds.

Our forecast is for Chinese bond yields to gradually rise as expectations for higher inflation increase and the government sticks with pro-growth policies. The government latest longer-term economic plan is built on three pillars. First, it focuses on domestic consumption by offsetting the negative impact on consumers of the property crash. Second, it seeks to restore profitability in sectors that will lift wages, and third it emphasizes the central bank's commitment to currency stability in the face of redefined U.S. trading relationships. All three of these government objectives suggest higher bond yields.

We forecast that the 10-year Chinese bond yield will be higher in the next 12 months at 2.00%, up from current level of 1.83%.



Our forecast is for the policy rate to rise to 1.00%, from 0.50% currently.

Japan

Policymakers at the Bank of Japan (BOJ) maintained the key policy rate at 0.50% in late October. Bond yields have soared this year in Japan on expectations that interest rates would rise faster than investors had expected amid rising inflation. Japan's bond market has been the worst-performing in 2025, with domestic bondholders left smarting from 7% losses. To add insult to injury, the surprise election of Prime Minister Sanae Takaichi in October renewed expectations for fiscal stimulus, a touchy subject for investors against a backdrop of inflation and high debt.

True to historical form, the BOJ has moved slowly to tighten monetary policy, keeping rates on hold since January. Over the same period, inflation has trundled along at an exceptionally rapid (for Japan) clip of just over 3%. Two decades of deflation have, we believe, made the central bank too quick to dismiss the post-pandemic inflation wave. Inflation now appears to have taken root in services and domestically consumed goods, expanding from traditionally transitory sources of inflation such as food. The combination of a slow-moving BOJ in the context of higher-than-expected long-run policy rates and inflation means that the Japanese yield curve has steepened considerably, with long-term yields rising more than short-term ones.



We expect German 10-year bund yields to reach 3.00% sometime over the next 12 months, up from about 2.60% at the time of writing.

At this point, we view government-bond yields in Japan as offering plenty of compensation for the risks facing long-term investors. Thirty-year yields on Japanese government bonds are around 3.30% at the time of writing, a level that we believe the BOJ is unlikely to reach with policy rates. Market expectations for future bond yields are so extreme that they outstrip those offered on Treasuries. In simpler terms, the extreme relative steepness of the Japanese bond curve suggests that investors are well compensated for future risks in Japan. We believe that the BOJ will gradually raise its policy rate over the coming year, that inflation will ease, and that Japanese bonds will likely outperform other regions. Our forecast is for the policy rate to rise to 1.00% from 0.50% currently. We expect little change in the 10-year Japanese government bond, whose yield is currently at 1.81%.

Eurozone

The European Central Bank (ECB) kept its policy rate unchanged at 2.00% at its most recent meeting in October. Furthermore, policymakers signalled that they were likely to remain on hold for an indefinite period, deeming that the decline in interest rates was sufficient in light of the backdrop for growth and inflation. Most forecasts for European growth for the year ahead are fairly lacklustre. Investors believe that Germany's fiscal stimulus should boost economic activity in the country to over 1%. Our view is that the risk of higher inflation is being undercounted in the single-currency area, particularly in services and wages.

We think that investors' assessment of the outlook for growth in Europe is lagging the reality on the ground, which is supported by government spending. To be sure, we expect the ECB to remain cautious, and don't forecast any rate hikes over the coming 12 months. While we don't think that central bankers will raise policy rates, we do expect market-set bond yields to rise. We expect German 10-year bund yields to reach 3.00% sometime over the next 12 months, up from about 2.70% at the time of writing.

Regional recommendation

Within a fixed-income portfolio, we recommend an overweight in corporate fixed income relative to government bonds. We consider corporate bonds with less than five years to maturity particularly compelling.

Within a government-bond allocation, we recommend an overweight allocation to a basket of Government of Canada bonds and provincial securities. For a global bond allocation, which reflects regional preferences, we recommend being overweight Japanese government bonds relative to German bunds.

Background on Canadian corporate bonds

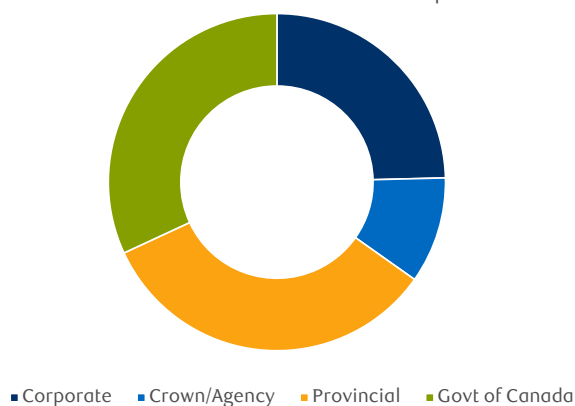
In Canada, the most widely used fixed-income index is the FTSE Universe Canadian Bond Index. This broad Canadian benchmark consists of Canadian-dollar bonds issued by the Government of Canada, provincial governments and corporations. All bonds eligible to be included in the benchmark are rated investment grade, which is BBB- or higher by Standard & Poor's and have a maturity date greater than one year. The corporate part of the index makes up about 25% of Canada's bond universe. The recommendations we make will be relative to the FTSE Universe Canadian Bond Index.

The Canadian corporate-bond market is dominated by Financials – banks and insurance; Energy – mostly pipelines but also exploration and production companies; and

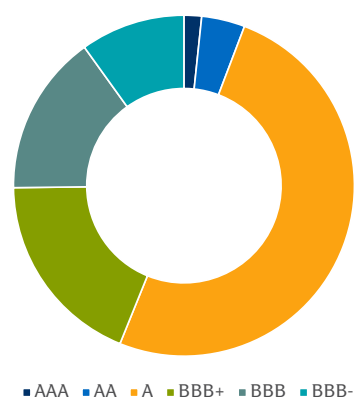
Infrastructure, which includes electric utilities, transmission companies and airports. There are significant differences in the composition of the FTSE Corporate index and the S&P/TSX Composite Index. The FTSE Corporate index has greater exposure to the Financials and Energy sectors than the S&P/TSX, while the equity index has higher exposure to the Industrials and Information Technology sectors. The equity index is heavily dependent on the performance of Shopify and precious metals, while the bond index has exposure to neither. Another big difference between the debt and equity indexes is that a company's weight in the FTSE Bond index is determined by the amount of debt that it has outstanding, while the S&P/TSX index weight is determined by market capitalization.

Exhibit 3: FTSE Canada Universe composition

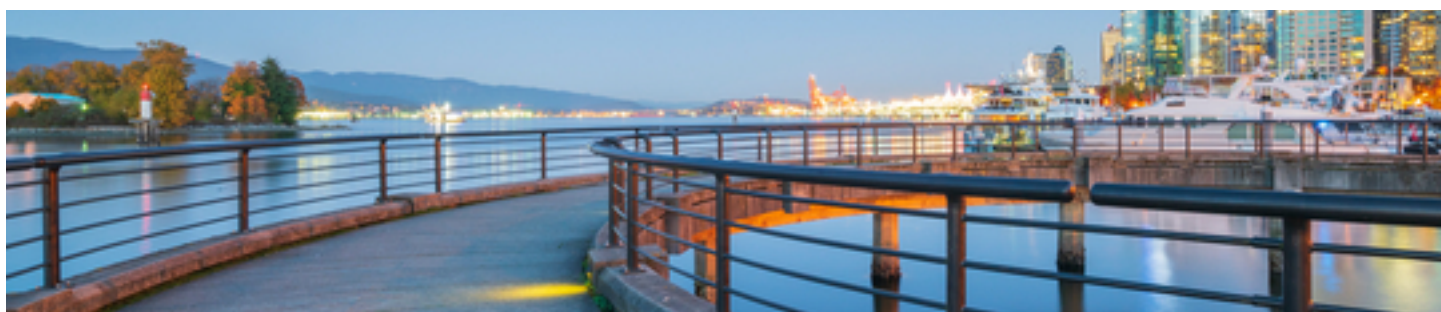
FTSE Canada Universe asset class composition



FTSE Canada Corporate Universe credit quality



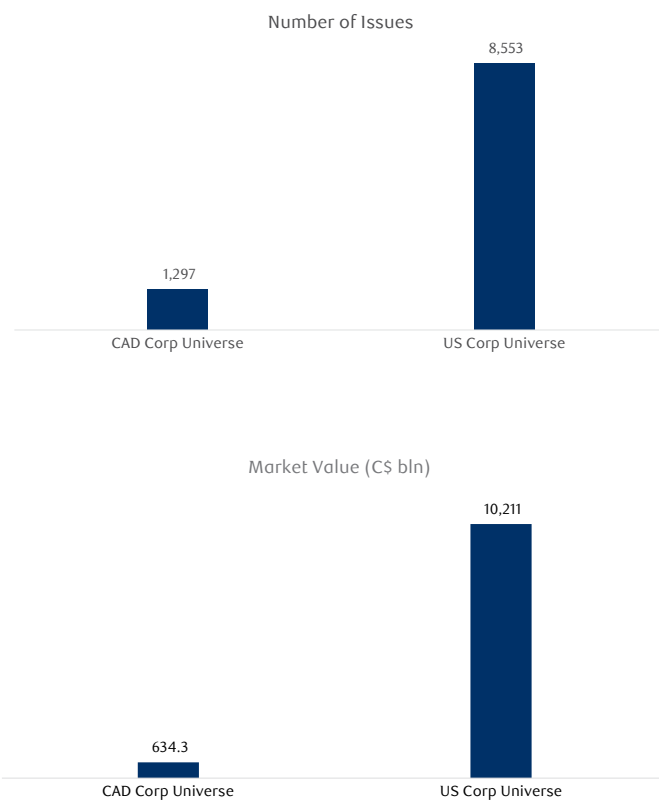
Note: Data as at November 30, 2025. Source: FTSE Russell, RBC GAM calculations



For context, the Canadian corporate market is a fraction the size of the U.S. corporate market with fewer issuers and securities (Exhibit 4). Moreover, all bonds in the Canadian corporate-bond index are investment grade, and the index tends to move in the same direction as the U.S. investment-grade market. This is important because default rates – the risk of permanent loss of capital – are much lower for investment-grade fixed income. Another broad observation is that spreads in the Canadian bond market tend to be less volatile, with U.S. spread peaks being higher in Canada and trough spreads lower.

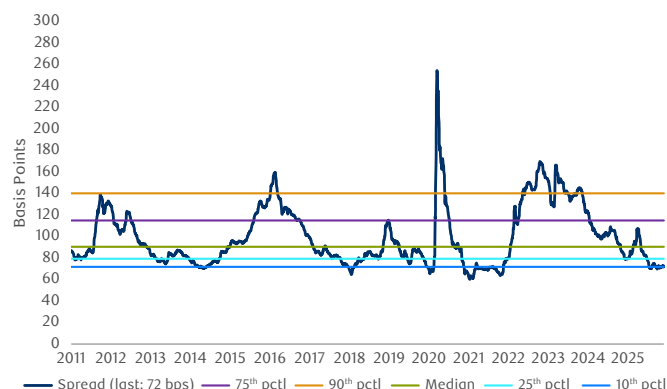
Holding corporate bonds generally pays off over time as the excess yield that investors can earn above yields on like-maturity government bonds (the “spread”) accumulates. Credit spreads tend to tighten (be smaller) as bonds approach maturity – a 2-year bond will have a lower spread than a 5- or 10-year bond of the same company. An overweight to corporate bonds versus an underweight to Government of Canada bonds will outperform over a credit cycle. Adding exposure to corporate bonds when spreads are wider and reducing exposure when spreads are narrower will tend to boost relative returns (Exhibit 5).

Exhibit 4: Canadian corporate bond universe relative to U.S. corporate bond universe



Note: Data as of November 30, 2025. Market value converted to C\$.
Source: FTSE Russell, Bloomberg

Exhibit 5: FTSE Canada Short Corporate spreads



Note: Data as of December 8, 2025. Starting at January 2011. Source: FTSE Russell



Interest-rate forecast: 12-month horizon

Total-return calculation: November 30, 2025 – November 30, 2026

U.S.						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	3.25%	3.30%	3.70%	4.25%	4.80%	3.51%
Change to prev. quarter	(0.25%)	(0.20%)	(0.05%)	0.00%	(0.10%)	
High	3.88%	4.00%	4.35%	4.75%	5.25%	0.78%
Low	2.13%	2.30%	2.80%	3.50%	4.20%	7.57%

Expected Total Return US\$ hedged: 3.7%

Germany						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	2.00%	2.30%	2.60%	3.00%	3.40%	1.59%
Change to prev. quarter	0.00%	0.10%	0.10%	0.25%	(0.10%)	
High	2.50%	2.90%	3.25%	3.50%	3.90%	(1.98%)
Low	1.50%	1.50%	1.85%	2.25%	2.90%	6.36%

Expected Total Return US\$ hedged: 3.1%

Japan						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	1.00%	1.20%	1.50%	1.80%	3.25%	3.96%
Change to prev. quarter	0.25%	0.00%	0.00%	0.05%	0.00%	
High	1.50%	2.00%	2.25%	2.50%	3.50%	0.00%
Low	0.50%	0.70%	0.85%	1.00%	2.30%	15.46%

Expected Total Return US\$ hedged: 7.9%

Canada						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	2.25%	2.50%	2.85%	3.25%	3.85%	2.14%
Change to prev. quarter	0.00%	(0.20%)	(0.15%)	(0.25%)	(0.15%)	
High	3.00%	3.00%	3.25%	3.50%	4.00%	0.58%
Low	1.50%	2.00%	2.35%	2.85%	3.60%	4.37%

Expected Total Return US\$ hedged: 3.5%

U.K.						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	3.50%	3.70%	3.90%	4.50%	5.15%	5.07%
Change to prev. quarter	0.25%	0.60%	0.30%	0.25%	-0.35%	
High	4.00%	4.50%	4.75%	5.25%	5.50%	0.57%
Low	2.50%	2.75%	3.00%	3.75%	4.85%	8.98%

Expected Total Return US\$ hedged: 4.0%

Source: RBC GAM



Currency markets

Emerging-market currencies poised to shine amid U.S.-dollar weakness



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The two-year-long fall in the U.S. dollar appears to have temporarily halted, challenging our forecasts that the greenback would continue to decline through 2025 and into next year. The dollar's modest rally since September stems from a view that stronger-than-expected U.S. economic growth and continued technology investments will pull capital flows into the U.S., at least in the short term. We note that the dollar is still down by 9% so far this year, and there is good reason to expect a resumption in the greenback's weakness sometime in 2026. Emerging-market currencies, in our opinion, will continue to be the main beneficiary of further U.S.-dollar depreciation given improving fiscal situations and attractive bond yields.

Mid-2025 seems to have marked a distinct shift in the currency markets. Having spent the first half of the year in relentless freefall, the dollar suddenly stabilized as concerns about U.S. policy credibility eased somewhat and as resilient economic growth and strong equity markets sustained demand for the currency. At the same time, the fate of the greenback was hotly debated during the latter half of the year because factors that traditionally drive currency markets were pointing toward further declines. For one, the higher yields offered by Treasuries versus German bunds were gradually shrinking (Exhibit 1), meaning that relatively high U.S. interest rates provided less support for the greenback.

Exhibit 1: U.S. yield advantage over Germany is shrinking



Note: As at December 2, 2025. Source: Bloomberg, RBC GAM

Commodity markets also suggested further U.S.-dollar declines, as gold and other precious metals went on a tear (Exhibit 2). And yet exchange rates in Europe, the UK and Canada have spent most of the past six months in relatively tight ranges, and most measures of currency market volatility have fallen this year (Exhibit 3).

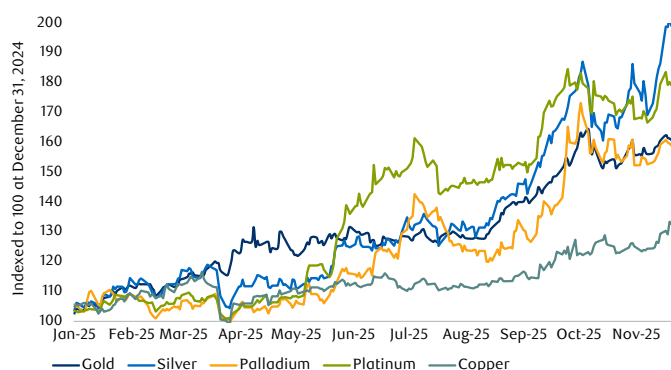
It is not that there has been a dearth of news or market narratives on hand to drive currencies: central banks globally have been slashing interest rates, which should encourage movements of capital in search of higher returns, and governments are increasingly challenged by investors over unbridled fiscal spending. So how do we make sense of such small fluctuations in currency markets? One possibility is that developed-market currencies face more or less the same problems, and it is therefore unclear to investors which currency should be bought or sold. We acknowledge that the case for a significant drop in the U.S. dollar against the pound and yen has become somewhat tenuous – largely due to fiscal and political challenges in Britain and Japan. Concerns about bloated budgets and expanding debt loads in the U.S. UK, Japan and France have brought fiscal concerns to the forefront in every region. This nervousness stems less from expectations of a sudden debt default and more from concern that currency weakness and/or inflation will gradually erode the purchasing power of investors' assets.

The term “debasement” has been floated to describe a policy-driven decline in the real purchasing power of a currency, and its use as a label resonates with investors for a number of reasons:

- Governments have found it difficult since the pandemic to keep up with snowballing debt.
- Inflation has become more palpable for households in recent years and is taking root as a more persistent element of investor expectations.
- There is a sense that central banks have become subject to pressure from politicians to reduce interest rates in support of economic growth and lower debt-service costs. Questions about central-bank independence have been most notable in the U.S. and Japan as monetary authorities in those countries seem to be more accepting of elevated inflation.
- Central-bank bond buying, capital controls and taxes on foreign investors are entering policy discussions, and such measures would keep currencies weak and/or depress longer-term interest rates.

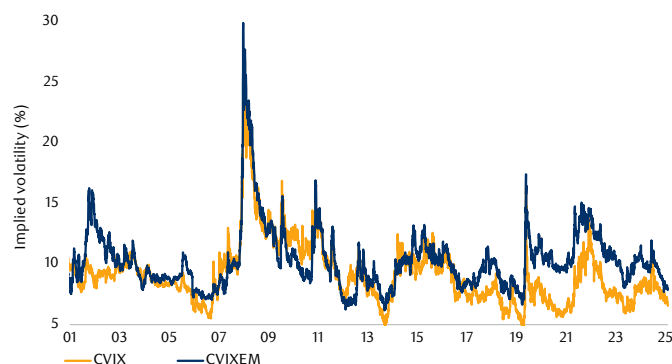
It seems that the debasement theme has turned out to be more broad-based in nature than we had expected, affecting developed-market fiat currencies globally rather than just the greenback.

Exhibit 2: Precious metals have surged this year



Note: As at December 1, 2025. Source: London Metal Exchange, London Bullion Market Association, London Platinum & Palladium Market, Gavekal, RBC GAM

Exhibit 3: Muted volatility in emerging- and developed-market exchange rates



Note: As at December 1, 2025. Source: Deutsche Bank, Bloomberg, RBC GAM

This explains, perhaps, why exchange rates are so stable amid the surge in gold prices and why investors in a number of jurisdictions are demanding higher interest rates on longer-term bonds relative to shorter-term ones (Exhibit 4). We still expect the greenback to resume its general decline as businesses find more attractive investment and trade opportunities in countries with undervalued currencies, and as the build-up of hedge positions on U.S. stocks results in massive U.S.-dollar selling.

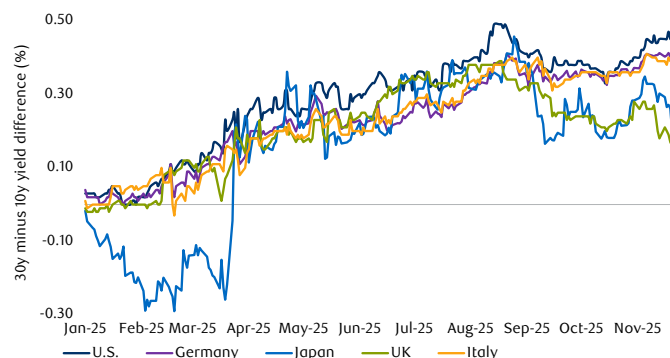
The outperformance of emerging-market currencies (Exhibit 5) tells us that the U.S. dollar is vulnerable, and it has indeed been weakening. The currencies of China, Brazil, Mexico, Hungary and South Africa have continued to strengthen in the second half of 2025, in part because they tend to be undervalued and offer bonds with more compelling yields relative to inflation. These emerging-market countries are also enjoying newfound fiscal and monetary credibility stemming from quick and aggressive central-bank rate hikes in 2022. While those actions were painful for the economy, the steady decline of inflation (Exhibit 6) affords emerging-market central banks the luxury of cutting interest rates without the perception that the reductions are politically motivated.

Interest in owning emerging-market assets and currencies remains robust even amid the October and November pullbacks in global equity markets. It helps that Chinese policymakers have continued to signal to investors that they intend to strengthen the renminbi and support economic growth with fiscal and monetary measures. We expect relatively strong demand for emerging-market currencies to continue, in part fueled by the current low level of market volatility that makes owning higher-yielding currencies more appealing.

We believe that it will be emerging-market currencies that perform best versus the U.S. dollar in the months and years ahead, whereas both emerging- and developed-market currencies benefited equally from the U.S. dollar's decline during the first half of 2025.

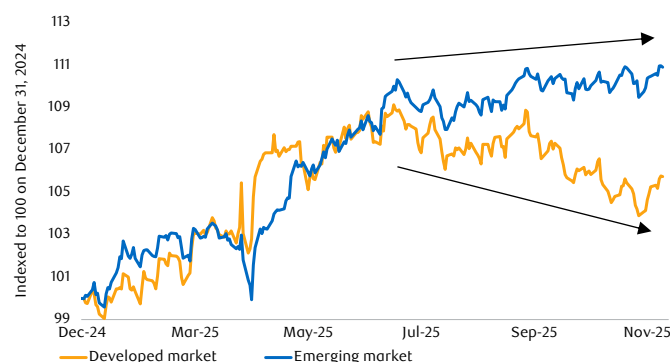
As we look into 2026, we see several big events that could shape how the U.S. dollar performs. First, the U.S. government will resume releasing economic data following the end of the shutdown, though investors will be reluctant

Exhibit 4: Investors demand higher yields to own longer-maturity bonds



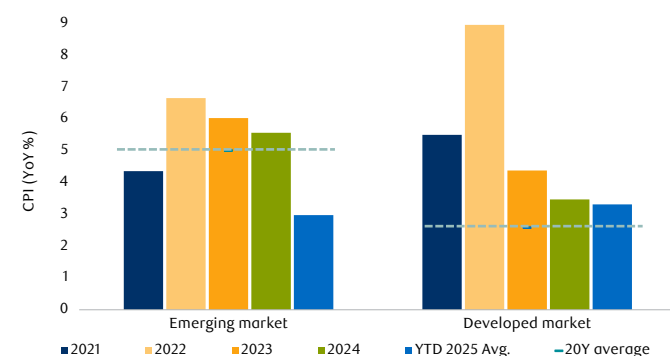
Note: As at December 1, 2025. Source: Bloomberg, RBC GAM

Exhibit 5: Emerging-market currencies have outshined developed market ones since the summer



Note: As at December 1, 2025. Source: Bloomberg, RBC GAM

Exhibit 6: Emerging market inflation is falling and below its long-term average



Note: As at September 30, 2025. Source: Bloomberg, RBC GAM

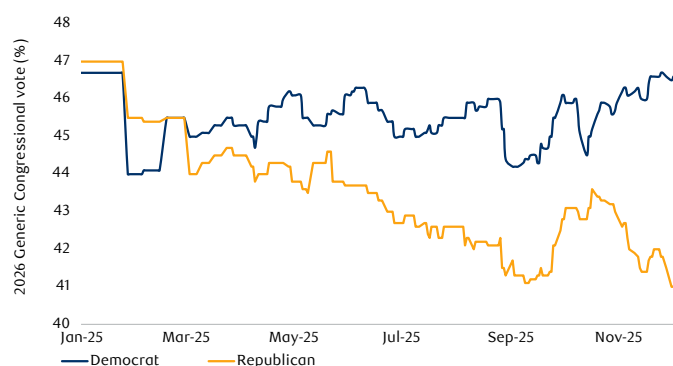
to draw conclusions given the exceptional uncertainty around hiring and economic activity during the fall. The labour-market report released in late November, for example, showed a relatively strong hiring picture, but this was largely dismissed by equity markets. October's jobs report is set to be released in mid-December and is likely to show considerable weakness, but investors may again dismiss this statistic. Investors will be skeptical about how much of the employment slowdown is due to the temporary impact of the government shutdown and how much stems from job cuts by technology giants. Amazon, for instance, said in October that it cut 14,000 positions.

A second area of focus will be the number and spacing of U.S. interest-rate reductions in 2026. Based on market indicators, the benchmark interest rate will fall about 90 basis points to 3% between now and the end of next year, and the outlook depends in part on whether President Trump can sway the committee to ease policy more forcefully. Already, his administration has filled a vacant Fed seat with Trump loyalist Stephen Miran, who has voted twice in favour of 50-basis-point rate cuts. The White House is also trying to oust Governor Lisa Cook with an eye toward adding

another board appointee who may support the president's wishes. Investors will also focus on the fact that the term of the current chairman, Jerome Powell, expires in May and that his successor, when confirmed by the Senate, will have significant influence over monetary policy. The nomination of a dovish candidate could reignite concerns about the Fed's independence and push the greenback lower.

Another important consideration for 2026 is the U.S. mid-term election. Democrats seem to be enjoying the momentum of a few recent victories, including Zohran Mamdani's win of the New York mayoral election and a flip in the governorship of Virginia to Democrats by a wide margin. Opinion polls and approval ratings (exhibits 7 and 8) show that President Trump and his Republican Party are losing ground. How the president reacts next year will be important for financial markets. His instinct may be to lean more extreme, pinning blame on China (increased tariffs), cracking down further on immigration (more inflation, less economic growth), issuing "tariff" cheques to households (further stoking fiscal concerns) and leaning hard on the Fed to cut rates (loss of Fed independence). These things would clearly be negative for the dollar.

Exhibit 7: Mid-term polls favour Democrats



Note: As at December 2, 2025. Source: RealClearPolitics, Bloomberg, RBC GAM

Exhibit 8: Trump's approval rating has fallen since he took office



Note: As at December 1, 2025. Source: RealClearPolitics, RBC GAM

Trump may opt for a more conciliatory path in a bid to appeal to a wider voter base by focusing more on rebuilding U.S. industry, picking a more inflation-focused candidate as Fed chair and taking a softer tone on global trade. Such a path would suggest higher interest rates and stronger economic growth, which could cause the dollar to remain resilient and again delay what we believe will be its eventual decline. Historically, the U.S. dollar tends to fall in the 10 months leading up to mid-term elections, particularly against European currencies (Exhibit 9).

Euro

Europe's political and economic challenges have stood in the way of investors being sold on the euro's prospects. The region is plagued with too many economic and geopolitical issues, including some that have been around for years: low productivity, a lack of fiscal flexibility and a single "one-size-fits-all" monetary policy. More recently, it is a lack of leadership on artificial intelligence that is offered as a European disadvantage in an investment world dominated by U.S. technology giants. Fierce Chinese competition in the auto industry adds to Europe's macroeconomic woes, and while low oil prices are helping to cheapen the eurozone's import bill, limited stockpiles would not be sufficient to keep prices in check should the winter be unseasonably cold.

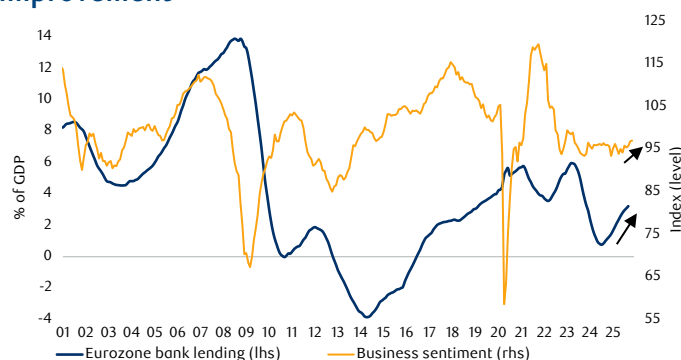
With all the focus on Europe's long-term negatives, it is easy to miss the region's more constructive near-term cyclical developments. The European economy is slowly improving, with business-sentiment indicators and bank lending picking up (Exhibit 10). Both should accelerate over the coming year as tax cuts, defense spending and infrastructure investment come online in 2026. It appears as though the tariffs imposed on European goods, as well as President Trump's threats to withdraw support for NATO, served to engender solidarity among European nations. While slow to get started, the bulk of this additional fiscal spending will take effect in early 2026, and RBC GAM economists are projecting that Europe's economy will operate beyond capacity over the next year or two. Higher government spending in Germany, for example, is deemed significant enough to boost overall eurozone GDP growth by 0.4 percentage point, more than offsetting any fiscal tightening in France, Spain and Italy (Exhibit 11).

Exhibit 9: The dollar tends to weaken in years with mid-term elections

	Average spot return			% of time returns are positive		
	Midterm	Presidential	No election	Midterm	Presidential	No election
DX1	-1.6%	4.4%	0.7%	33%	69%	60%
EUR	3.4%	-5.0%	-0.5%	58%	23%	48%
GBP	1.4%	-6.4%	0.9%	50%	38%	56%
JPY	5.7%	1.3%	-0.1%	67%	54%	56%
CHF	7.0%	-3.2%	1.3%	67%	38%	52%
AUD	-1.0%	-2.5%	-0.2%	42%	46%	40%
CAD	-2.3%	-1.4%	1.8%	33%	46%	56%
NOK	1.0%	-3.9%	-0.2%	58%	31%	36%
NZD	-0.6%	-5.8%	0.3%	50%	31%	40%

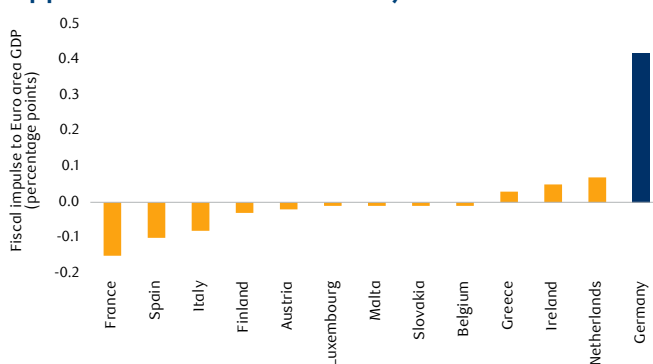
Note: As at December 31, 2024. Data begins in 1976. Source: HSBC, Bloomberg, RBC GAM

Exhibit 10: Eurozone economic indicators show improvement



Note: Eurozone bank lending is a 12m rolling sum of net new loans to the non-financial private sector. As at September 30, 2025. Source: European Commission, Gavekal, RBC GAM

Exhibit 11: German fiscal spending expected to support the Eurozone economy



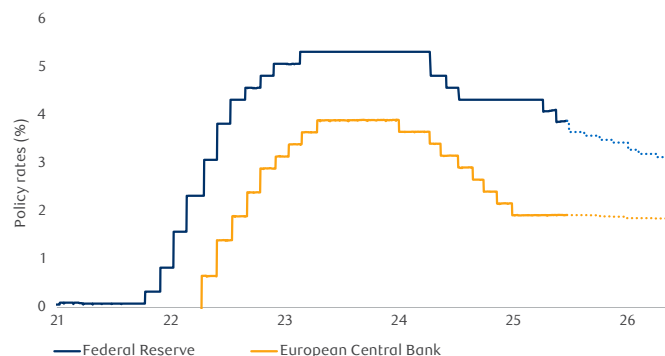
Note: As at December 1, 2025. Source: European Commission, Eurostat, RBC Capital Markets, RBC GAM

Faster European growth would be positive for the euro because it improves earnings and stokes demand for stocks. Economic growth beyond Europe's normal speed limit would be inflationary, and such a course would tend to dissuade the European Central Bank (ECB) from following its peers in cutting rates. This was seemingly confirmed in September by ECB President Christine Lagarde, who emphasized that eurozone monetary policy "is in a good place" and consistent with the fact that the ECB is guided only by the outlook for inflation rather than the dual inflation/growth mandate of the Fed. If anything, we suspect that the ECB's next action might eventually be a rate hike – a move that would certainly be euro-positive given that it is not widely anticipated by investors. Rising rates in the eurozone would quicken the narrowing of Europe's interest-rate disadvantage that is already underway (Exhibit 12), further cheapening the cost for Europeans to hedge U.S. assets and removing the one major barrier that stands in the way of another leg down in the dollar.

Another major potential positive for the value of the euro is a proposal tabled last year by Mario Draghi, the former ECB governor and past Italian prime minister. The 73-page proposal is aimed at outlining measures to boost Europe's competitiveness and productivity by improving energy security, streamlining supply chains and encouraging investments in digital infrastructure. According to the European Policy Innovation Council, only 10% of the proposed reforms have been fully implemented, but an impressive 65% of these measures are either partially implemented or in progress.

The euro has risen 11% against the greenback this year after stalling in early summer, and has kept to a fairly tight 4.5% range since. A more convincing push beyond the year's highs is needed to support a more significant rally, but a breakout of the euro seems unlikely to be driven by European factors alone. A broad-based decline in the U.S. dollar would support our outlook for a rally to US\$1.24 per euro from US\$1.16.

Exhibit 12: Narrowing yield gap between U.S. and Germany



Note: As at December 2, 2025. Source: U.S. Federal Reserve, European Central Bank, Bloomberg, RBC GAM

“A broad-based decline in the U.S. dollar would support our outlook for a rally to US\$1.24 per euro from US\$1.16.”

Japanese yen

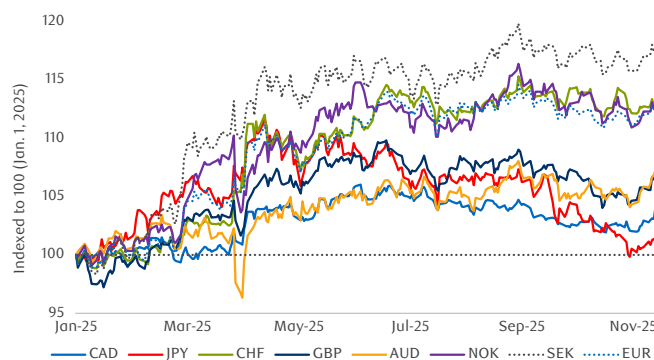
The Japanese yen is nearly unchanged this year versus the dollar, making it one of the worst-performing currencies in a year where U.S.-dollar weakness buoyed most other developed and emerging-market currencies. With its persistent slide since late spring, the Japanese currency stands apart from its European peers and now ranks below the Canadian dollar, which had been the main laggard for most of the year (Exhibit 13).

The yen's weakness stems partly from political uncertainty. The country's Liberal Democratic Party (LDP) has been in power for all but a few years since the 1950s, but the party's leadership has been unable to respond effectively to popular discontent about the rising cost of living. The new era of rising prices in the aftermath of the pandemic has squeezed household finances because wage gains have not kept pace. Snap elections last year caused the LDP to lose its majority, leading to the resignation of then-Prime Minister Shigeru Ishiba after less than a year in office.

Fiscal concerns are another reason for the yen's weakness. In order to strike a governing coalition with one of Japan's smaller political parties, the new prime minister, Sanae Takaichi, had to make concessions including additional fiscal spending that the government hopes will offset the impact of higher prices of goods and services. However, it is noteworthy that the proposal and passage of an 18.3 trillion yen (US\$118 billion) fiscal spending plan (approximately 3% of GDP) might actually worsen inflation because it stands to weaken the yen and thus boost the price of necessities imported from abroad such as oil and natural gas.

A more direct method of combating inflation would be for the central bank to hike interest rates, and the Bank of Japan (BOJ) has indeed tightened policy somewhat. The most recent increase in interest rates was in January, though, and the glacial pace of tightening seems insufficient to rein in rising prices. The fact that inflation in Japan has remained above the BOJ's target for about 3 ½ years raises concerns that the bank is being pressured by politicians to keep policy loose. The possibility that politicians are meddling in monetary policy is a serious concern for investors, much as it is in the U.S.

Exhibit 13: The Japanese yen is now the worst performing developed-market currency



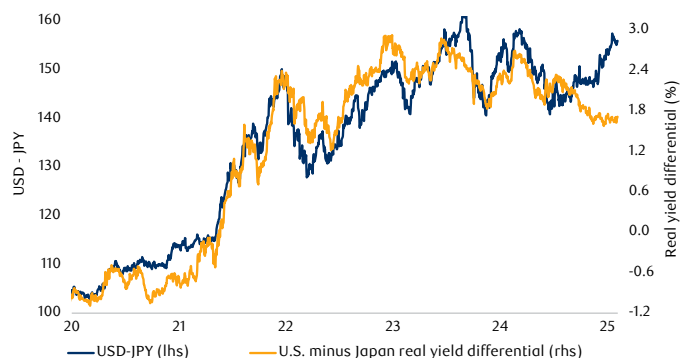
Note: As at December 2, 2025. Source: Bloomberg, RBC GAM

“The possibility that politicians are meddling in monetary policy is a serious concern for investors, much as it is in the U.S.”

In this environment, it is easy for investors to be bearish on the yen. But it is also worth recognizing that the Japanese currency is among the most undervalued in developed markets based on purchasing power parity and also cheaper than the level of interest rates would suggest (exhibits 14 and 15). Moreover, the yen would likely be the biggest beneficiary of Fed rate cuts as it has historically been the most sensitive to Fed action. A narrower yield gap lowers the appeal of investing abroad and could encourage Japan's large insurers and pension funds to ramp up their hedges on foreign-currency exposure.

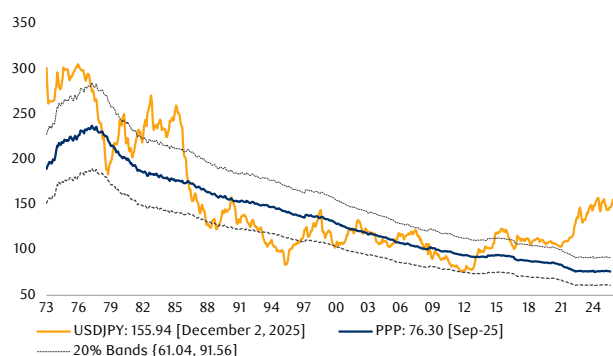
A final yen-positive effect could come in the form of intervention to strengthen the currency. Decisions to intervene come at the behest of the finance ministry, and Takaichi's finance chief has already vocalized displeasure with the yen's recent losses. Past instances of intervention have taught investors that the finance ministry's comments in the lead-up tend to follow a choreographed sequence (Exhibit 16), and it's clear that authorities are getting closer to tapping the country's large foreign-exchange reserves in an attempt to reverse the yen's course. While we aren't expecting imminent action, we would not be surprised if intervention materialized in 2026 and think that it would likely be timed in co-ordination with BOJ hikes and Fed cuts to deliver maximum impact. Alongside a weaker U.S. dollar overall, these factors should help the yen achieve our 12-month forecast of 135 per U.S. dollar, up from the current level of 156.

Exhibit 14: The yen is trading cheap to where rates would suggest



Note: As at December 2, 2025. Source: Bloomberg, RBC GAM

Exhibit 15: USD - JPY – Purchasing Power Parity



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 16: Japanese officials often intervene when there are large currency moves

Ministry of Finance language on Yen ahead of intervention	
Urgency level	Example of statement
NO CONCERN	No Comment
NOTING VOLATILITY	It's desirable for exchange rates to reflect Japan's economic fundamentals
NOTING VOLATILITY	We continue to monitor foreign exchange market's impacts on the economy
WATCHING	Carefully watching developments in currency markets / watching FX rates closely
DISCOMFORT	Sudden movements in exchange rates are undesirable
DISCOMFORT	Monitoring with vigilance
MODERATE CONCERN	Seeing rapid FX moves
MODERATE CONCERN	Yen movements are excessive and/or one-sided
HIGHLY CONCERNED	Will take appropriate action if needed
HIGHLY CONCERNED	Won't tolerate speculative moves
WARNING	Not ruling out any options to combat excessive movements
WARNING	Prepared to take action at any time
WARNING	Ready to take decisive action

Note: As at December 2, 2025. Source: Bloomberg, RBC GAM



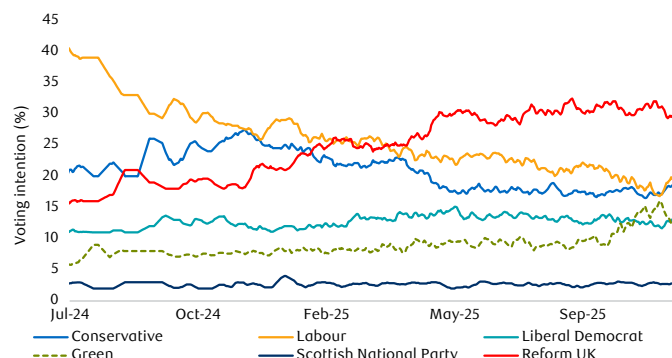
British pound

The pound is another currency that has been under attack this year, although it has performed somewhat better than the yen and the Canadian dollar. Fiscal concerns are weighing on the pound, largely because slow economic growth and high debt levels don't allow much leeway for avoiding a debt crisis. Not entirely helpful to the situation is the new Labour government's failure so far to address Britain's long-term fiscal challenges. The budget presented in November by Prime Minister Keir Starmer and Chancellor of the Exchequer Rachel Reeves aimed to thread the needle between raising taxes and cutting government expenses.

The electorate is increasingly dissatisfied with the UK's economic trajectory, and recent surveys suggest that three quarters of the British were pessimistic about the country's economic prospects. For the first time since World War II, voters are leaning toward supporting a third party over both Conservative and Labour (Exhibit 17). This third party was founded by Nigel Farage, the leading proponent of Brexit, to which economists attribute many of today's economic and fiscal challenges.

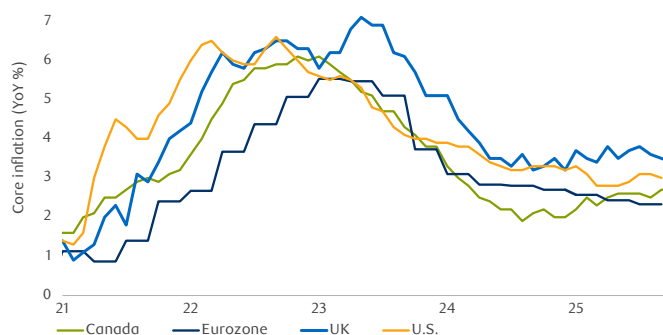
The Bank of England (BOE) is itself constrained to a similar degree as politicians. The weakened state of the economy would warrant an interest-rate reduction, but this may be prevented by stubborn UK inflation that is more persistent than in other major developed economies (Exhibit 18). The fact that benchmark interest rates have come down more slowly than in the U.S., Europe and Canada may explain why the pound hasn't lost more ground. But the currency has underperformed against the euro, and we expect this trend to continue. So, while the greenback is set to fall against most other G10 and emerging-market currencies, we suspect that the pound will benefit less than its peers. We forecast only a modest gain in the pound to US\$1.38 from US\$1.32.

Exhibit 17: Discontented voters shun Conservative and Labour parties in favour of the Reform



Note: As at November 28, 2025. Data smoothed using 10-day moving average.
Source: Europe Elects, RBC GAM

Exhibit 18: Inflation in the UK remains elevated



Note: As at October 31, 2025. Source: Bank of Canada, UK Office of National Statistics, Bureau of Labour Statistics, Bloomberg, RBC GAM

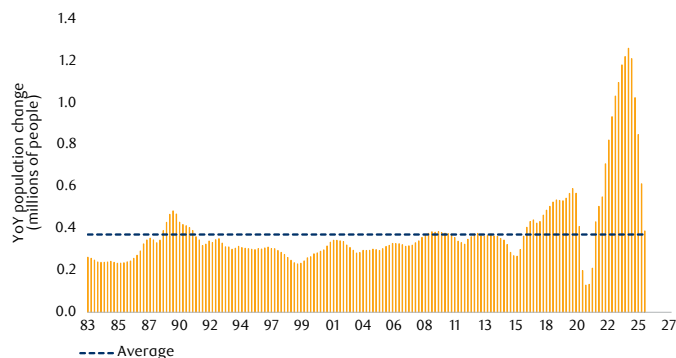
Canadian dollar

We expect the Canadian dollar to continue lagging at least through the first half of 2026. The loonie has generally underperformed in 2025, and the currency's weakness could continue due to factors that are keeping economic growth constrained. For one, immigration had been significantly curtailed in 2025 after nearly a decade of above-average population growth (Exhibit 19). Immigration cutbacks are contributing significantly to a slowdown in household-spending growth. A second big component of the economy – exports – is being challenged by trade tariffs imposed by the U.S., Canada's largest trading partner. Uncertainty about the outcome of talks for renewing the US-Canada-Mexico (USMCA) trade deal is likely to weigh on the loonie until mid-2026, when negotiations begin in earnest. Third, a relatively weak economy means that interest rates are comparably low in Canada versus those in the U.S., the UK and Australia, as the Bank of Canada (BOC) has been aggressive in cutting rates since mid-2024 (Exhibit 20). With low interest rates domestically, the Canadian dollar has been sold to fund purchases of higher yielding currencies in what is known as the "carry trade," an income-generating investment strategy that is especially attractive in times of muted fluctuations in foreign-exchange markets.

On a more positive note, one could argue that the BOC's deep interest-rate cuts will offer a boost to the economy, and indeed we have noticed some improvement in the indices that track economic activity (Exhibit 21). Also, since the BOC has been more aggressive in cutting interest rates than other central banks, it is likely that yields gaps with other countries will narrow as rates drop in other regions. Such a scenario would increase the appeal of the loonie.

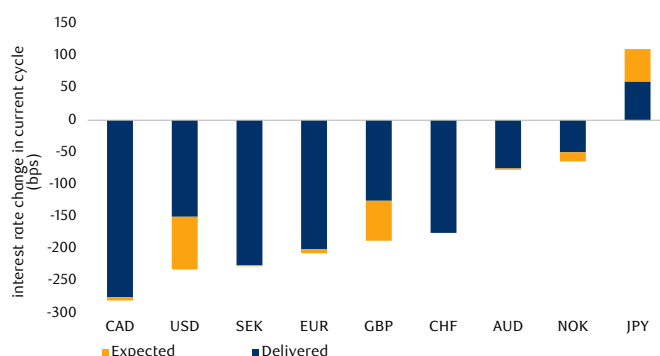
On trade, Canada's abundance of hydro-electricity makes it a good partner for the U.S., whose energy demand is spiking with the construction of data-processing centres for the largest technology companies. This is one reason why we think USMCA negotiations may go more smoothly than expected, and why the loonie could recover some lost ground in late 2026. While the anti-U.S. ad campaign run by Ontario Premier Doug Ford angered the U.S. administration, signs of better relations between the two countries

Exhibit 19: Canadian immigration has fallen off sharply



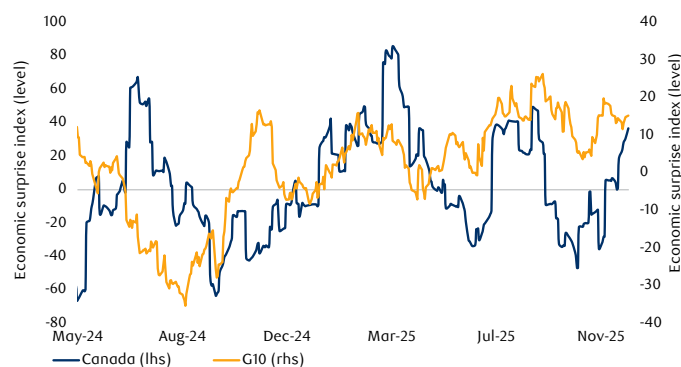
Note: As at September 30, 2025. Source: Statistics Canada, RBC GAM

Exhibit 20: Bank of Canada has delivered aggressive rate cuts



Note: As at December 1, 2025. Source: Bloomberg, RBC GAM

Exhibit 21: Canadian economy showing improvement



Note: As at December 1, 2025. Source: Citigroup, Bloomberg, RBC GAM

emerged later in November when Trump opened the door to easing the punitive 25% steel and aluminum tariffs that were imposed on Canada earlier in the year. We are also encouraged by U.S. industry groups that are lobbying the White House to preserve the existing trade agreement and relax sectoral tariffs on North American trade partners.

At an exchange rate of C\$1.40 per U.S. dollar, the loonie sits nearly 20% undervalued based on purchasing power and near levels that are attractive for Canadian investors to hedge U.S.-dollar exposure. For now, Canadian investors have not been rushed in hedging their currency exposure given the high cost of hedging and a fairly stable exchange rate. While the Canadian dollar may continue to lag other developed-market currencies for the first few months of 2026, we suspect that it will rise against most of its peers later in the year. Our forecast is for the Loonie to trade at C\$1.32 per dollar by the end of next year.

“Our forecast is for the loonie to trade at C\$1.32 per dollar by the end of next year.”





Regional outlook – United States



Shanthu David, CFA

Senior Portfolio Manager
RBC Global Asset Management Inc.

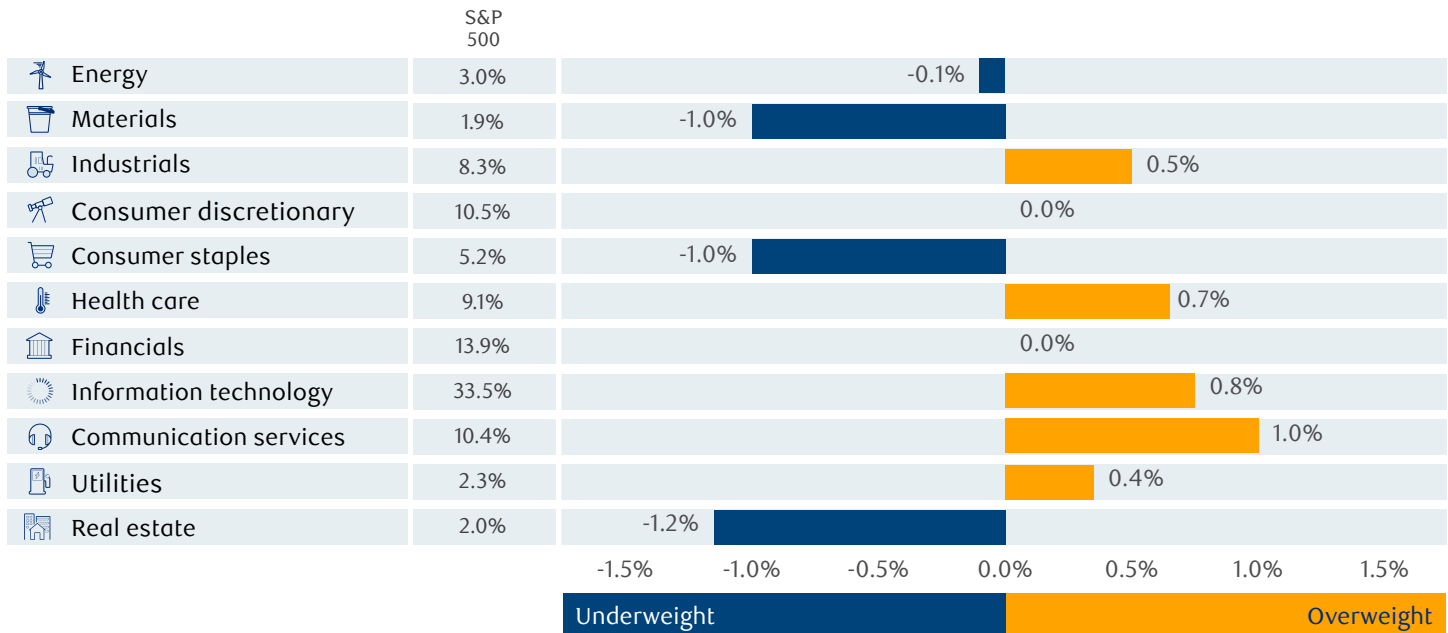
U.S. equities, as measured by the S&P 500 Index, rose 6.3% over the three months ended November 30, 2025, and are now up 18% so far in 2025. Investors shrugged off the longest U.S. government shutdown on record as technology stocks extended their string of record earnings, leading to all-time highs in the index. A 15% rise in overall third-quarter earnings per share helped underpin performance. Trends were broadly similar to the prior quarter, after a negotiated reduction in some U.S.-China tariffs eased concern about global trade. Equity strength was further supported by rising capital expenditures in support of artificial intelligence (AI) and expectations that the U.S. Federal Reserve (Fed) will continue to cut its benchmark interest rate.

AI remains the dominant theme for U.S. equities and the primary driver of index performance. Debate around a potential “AI bubble” has intensified. OpenAI, with its ChatGPT product, has emerged as the clear early leader, with a large and rapidly growing user base. OpenAI is a private company with a valuation estimated at US\$500 billion, but revenues that are still modest relative to that valuation. While unprofitable, OpenAI has made sizeable purchase commitments to companies including Nvidia and Oracle, and sits at the centre of the bubble debate. OpenAI is in the early stages of commercial development and has articulated ambitious revenue targets by 2030. It remains reliant on

equity and debt capital to fund the hundreds of billions of dollars in infrastructure and partnership commitments that have been announced. These partnerships have raised questions about the use of circular financing and warrant close monitoring. In contrast, the mega-cap technology companies leading the AI buildout are highly profitable, generating strong cash flows and operating with strong balance sheets. As AI capital spending grows, however, we expect a greater role for debt financing.

The bubble debate naturally draws comparisons with the 2000 dot-com technology meltdown. There are similarities but also several important differences. First, the late-1990s telecom and fiber build-out was heavily financed with debt, whereas the current AI cycle has so far been predominantly funded from the cash flow of large, profitable companies. Second, valuation levels, while elevated in some areas, are less extreme than in 2000, and price/earnings multiples for leading mega-cap AI beneficiaries are lower than the comparable dot-com leaders. Third, the fiber build-out was underutilized for many years, whereas AI-related data-centre capacity is already heavily used, with the key question being whether returns on the invested capital ultimately prove attractive. We will need to see continued and significant consumer and corporate adoption of AI tools to justify today’s levels of capital spending.

United States – Recommended sector weights

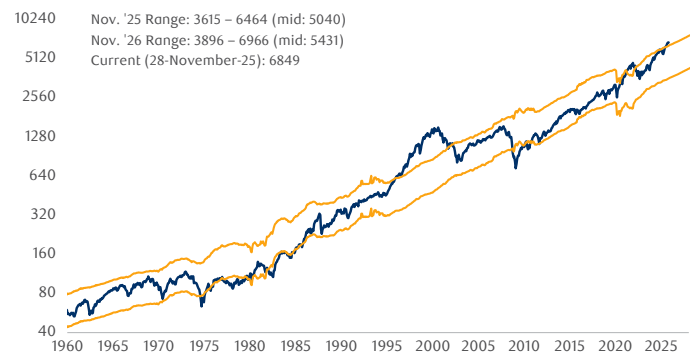


Note: As of November 30, 2025. Source: RBC GAM

“Third-quarter S&P 500 earnings per share rose 15% on revenue growth of about 8%, the strongest top-line growth since the third quarter of 2022.”

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

To be clear, there are areas of concern regarding AI. Our risk focus centres on the rapid increase in industrial capacity to serve data-centre equipment and power needs; the increased importance of unprofitable companies in the AI ecosystem; historically high valuations; and the greater use of debt to fund projects. In parallel, some benefits of the current AI investment cycle are likely to prove structural. AI advances to date already appear sufficient to drive meaningful productivity gains and perhaps reduce demand for labour. Regardless of the duration of today's massive AI investments, we expect periodic episodes of volatility driven by news on competition and concern about the speed at which companies are succeeding in deriving profits from AI.

Third-quarter S&P 500 earnings per share rose 15% on revenue growth of about 8%, the strongest top-line growth since the third quarter of 2022. Earnings exceeded expectations, with more than three quarters of companies beating consensus estimates and doing so by an average of almost 10%.

Results showed broad-based strength across many sectors, but megacap technology stocks and the Financials sector continued to lead. Overall earnings for the group of megacap technology companies including Nvidia, Apple Inc. and Microsoft rose 31%, supported by 18% revenue growth, as

AI-related demand, cloud and digital advertising remained strong. The Financials sector delivered earnings growth of 25%, with sales up close to 8% and a 16% widening in profit margins. Earnings per share in less cyclical sectors such as Health Care and Consumer Staples were up 1%, while Utilities profits rose about 4%. Earnings in the Consumer Discretionary sector excluding Amazon declined by 1% as higher costs more than offset a 4.5% rise in revenue. The consensus forecast for S&P 500 earnings growth is about 11% for 2025, up from 9% last quarter. For 2026, expectations are for earnings growth of approximately 14%, driven by both wider profit margins and revenue growth.

Looking ahead to 2026, affordability and the ability of U.S. consumers to continue consuming are likely to be central to the actions of the Trump Administration, as his Republican Party seeks to maintain control of Congress in the November 2026 midterm elections. Fed Chairman Jerome Powell is expected to be replaced by a Trump nominee who will be a strong advocate for lower interest rates. We expect the administration to focus on consumer-friendly policy, including food-related tariff relief and household tax benefits that are scheduled to take effect in early 2026. The backdrop of solid earnings growth, AI investment and policy focus on consumers should continue to support U.S. equities, punctuated by periods of volatility.



Regional outlook – Canada



Sarah Neilson, CFA

Managing Director &
Senior Portfolio Manager,
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Managing Director &
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Canada's stock benchmark, the S&P/TSX Composite Index, recorded total returns of 10.5% in the three months ended November 30, 2025. In U.S.-dollar terms, the S&P/TSX gained 8.6%, compared with a 6.3% rise in the S&P 500 Index and a 5.6% increase in the MSCI World Index. The Canadian stock index outperformed many of its global peers, as strength in banks, gold mining and technology offset a sluggish domestic economy and led to another round of all-time highs in November. Prime Minister Mark Carney's more business-friendly approach, expectations that interest rates will continue to decline and robust fiscal support helped offset trade-related headwinds and stubbornly elevated domestic unemployment. As we approach the end of 2025, Canadian equities are poised to benefit from robust earnings growth, though a measured outlook prevails because of trade uncertainty. The impending Canada-United States-Mexico Agreement (CUSMA) renegotiation in 2026 poses risks for Canada, with contentious issues like automotive rules of origin threatening to further strain trade relations and disrupt North American supply chains. Meanwhile, higher U.S. tariffs on Canadian steel and aluminum continue to undermine long-term investment confidence.

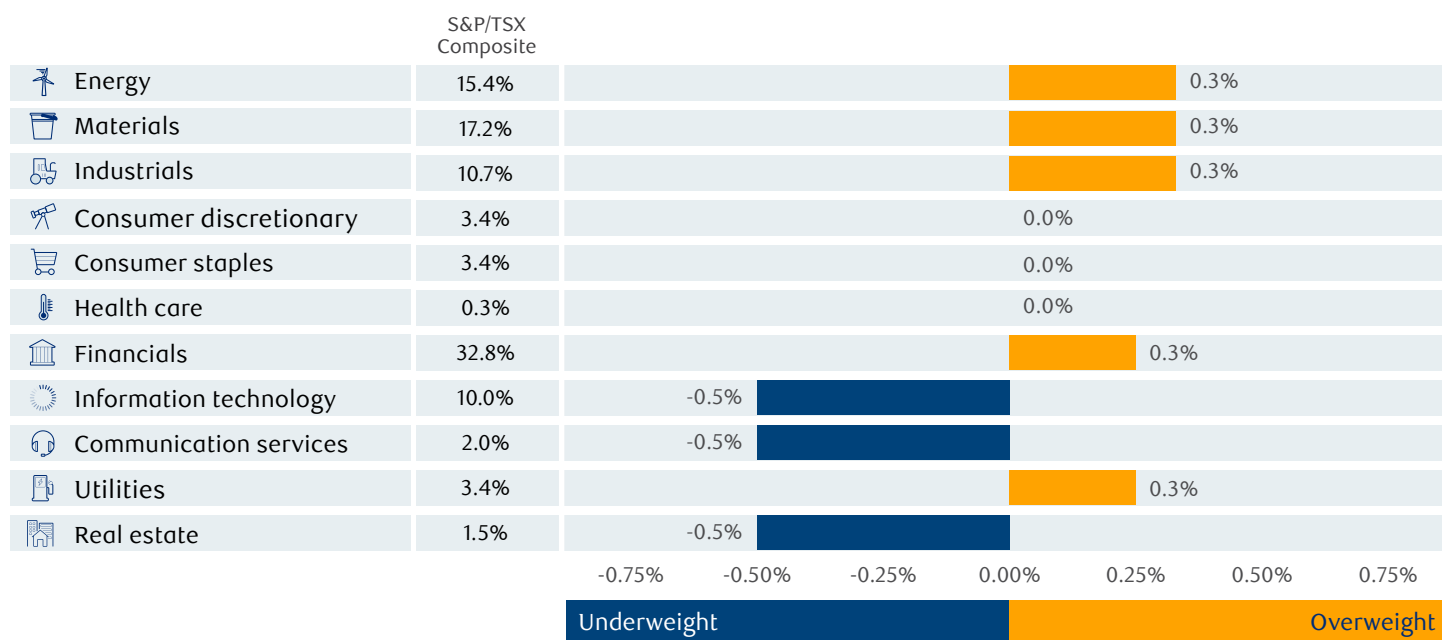
Analysts expect Canada's economy will grow at a below-trend rate of 1.2% in 2025 and 1.3% 2026, The Bank of Canada (BOC) noted in October that tariffs and trade uncertainty remain headwinds for the Canadian economy, and the bank's growth forecasts are even lower than those of private economists.

Inflation remains the key focus for the BOC and it continues to come in slightly higher than the bank's 2% target. To address economic weakness, the BOC has been cutting interest rates, most recently by 25 basis points in October to bring the benchmark rate to 2.25%. Further rate cuts are less certain given that interest rates sit near the bottom end of the BOC target range and inflation remains above target levels.

Canada's 2025 federal budget prioritized deficit-financed investments in housing, defence and digital infrastructure while aiming to remove interprovincial trade barriers and accelerate reforms to enhance competitiveness and exploit the country's vast natural resources. Economists caution the plans could increase the debt burden through the 2030s, with success contingent on accessing private capital.

Over half of the market performance this year has been due to solid earnings, while higher valuations explain the remainder of the index's move. Gold prices have surged 60% this year, hitting an all-time high of about US\$4,240 per ounce. The gold companies in the S&P/TSX have more than doubled this year as higher gold prices drove free cash flows. Gold companies now represent 13.3% of the index, so the performance of the broader index will be somewhat dependent on the direction of precious-metals prices. The 31% rise in Canada's banks was also a big contributor to the strong performance of the index, and the Information

Canada – Recommended sector weights

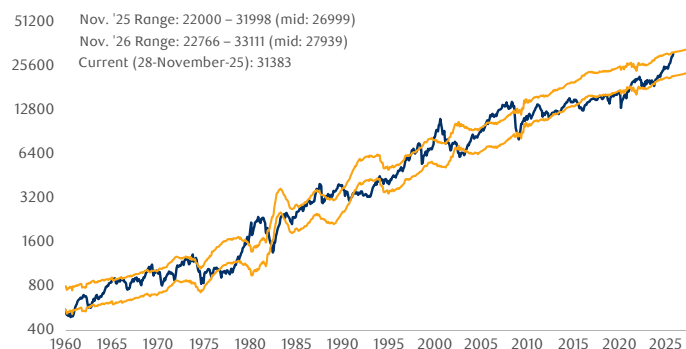


Note: As of November 30, 2025. Source: RBC GAM

“S&P/TSX consensus earnings estimates for 2025 are for growth of about 13% growth and have been raised for 2026 to 15%.”

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

Technology sector, mainly Shopify, an e-commerce company, and Celestica, a contract maker of electronics, continued to help bolster index returns. In this context, the S&P/TSX's valuation has risen to 17 times 2026 earnings, which is well above the 14.8 long-term average, though it remains at a significant discount to the S&P 500's multiple of 22.

S&P/TSX consensus earnings estimates for 2025 are for growth of about 13% and have been raised for 2026 to 15%. Profit growth is expected to come from the Financials, Industrials and Materials sectors, the last of which houses the gold companies.

Artificial intelligence will be crucial for driving long-term corporate earnings growth, and Canada stands to benefit especially because the country is weak among developed countries in productivity growth and its stock market has much lower exposure to fast-growth technology companies than the U.S. To support the data-intensive expansion driven by artificial intelligence, large Canadian companies are allocating substantial capital expenditures to infrastructure development. This includes investments in high-performance computing systems and sustainable data centres. Canadian utilities, commodities and industrial companies are positioned to capitalize on these changes.

Canadian bank stocks rose 11% over the past three months, outperforming the S&P/TSX. This performance is partly driven by investors' preference for cyclical businesses. Consensus expectations for the Big 6 Canadian banks are for EPS growth of 14% in 2025 and 9% in 2026, both of which are near or above the banks' medium-term target ranges of 5% to 10%. Capital positions are strong, and some industry stakeholders

have been calling for regulators to allow lower bank minimums given that the U.S. is embarking on a push to bring down capital levels. At a minimum, we consider Canadian banks well positioned to continue delivering attractive dividends and buybacks. We note that bank valuations are well above historical levels at 13 times forward earnings, but excess capital makes valuations more reasonable in our view. Canadian banks are also exposed to an improving domestic investment climate and nicely positioned for continued momentum in their capital-markets businesses.

Canadian energy stocks have surged 16% so far in 2025 even as oil prices declined 18%. The divergence reflects a shift in approach by Canada's Energy sector, as improved operational resilience and stable free cash flows offset lacklustre commodity prices. Integrated energy companies, which explore for, produce and sell petroleum to consumers, have prioritized operations, cost discipline and strong balance sheets, enabling them to sustain profitability amid cyclical downturns.

An equally important consideration is the Carney government's commitment to removing some of the roadblocks to developing Canada's energy assets, buoyed by a recent agreement between Ottawa and Alberta aiming to exploit oil and natural gas. The agreement represents a notable shift in tone from the federal government. Policy clarity is expected over time to support improved valuations for long-life reserves. Companies with stable production and attractive shareholder cash returns are uniquely positioned to convert rising petroleum prices into outsized returns.



Regional outlook – Europe



Lukas Harrison

Portfolio Manager
RBC Global Asset Management (UK) Limited

Europe's stock benchmark, the MSCI Europe Index, returned 4.2% in U.S.-dollar terms during the three months ended November 30, 2025, underperforming the 5.6% return in the broader MSCI World Index. European stocks have notably outperformed their world counterparts by 10.2 percentage points so far this year, but recently gave back some of their relative returns as U.S. technology stocks surged and political concerns mounted. There is, however, reason to believe that European equities can return to strong relative performance given attractive valuations and an improving earnings outlook.

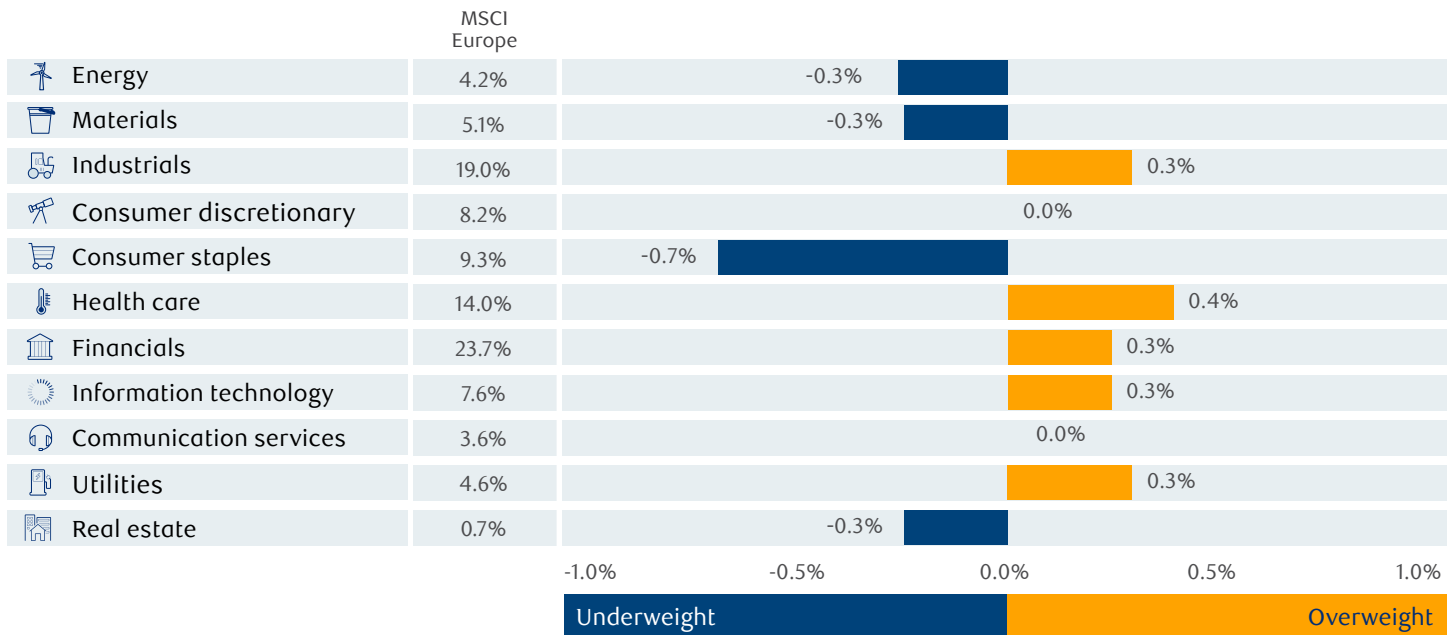
One of the main concerns for investors in Europe remains France's volatile politics. France is on its fifth prime minister in the less than two years, and the country's credit ratings have been cut as the fiscal deficit is projected to remain at 5.5% of GDP this year amid political deadlock. We note that the stock market has remained resilient, and, in fact, has been one of the top European markets over the past three months, largely because just 16% of revenues for companies in the main French equity index are derived domestically. Moreover, the index has benefited from a recent bounce in luxury stocks from the summer lows. While there will be a higher risk premium for French equities, the global nature of its stock market means there will likely be opportunities for us to add to our holdings in the event of any further market

declines. We remain underweight in domestic French equities but have already increased exposure to some multinational companies with attractive valuations.

There was excitement earlier in the year when Germany shed some of its fiscal conservatism to allow for significant government-led infrastructure investment. That bullishness has since faltered somewhat, and Germany has been one of the weaker European markets in the second half of the year. German economic indexes continue to suggest that the economic recovery will be sluggish, and GDP growth is now expected to be only 0.2% for 2025. In this environment, the approval rating of German Chancellor Merz has dropped significantly, with two-thirds of Germans dissatisfied with him and his coalition government. Business confidence remains low, and many Germans are pessimistic that some of the country's key industries, such as autos, can ever return to their former glory.

Our view is more sanguine, since we have seen an uptick in government expenditures in the past two months. We believe it will take another year or two for Germany's €500 billion investment to begin coursing through the economy, as it takes time for the money to be allocated and spent. The recent dip in German infrastructure-tied companies could therefore provide investment opportunities next year.

Europe – Recommended sector weights

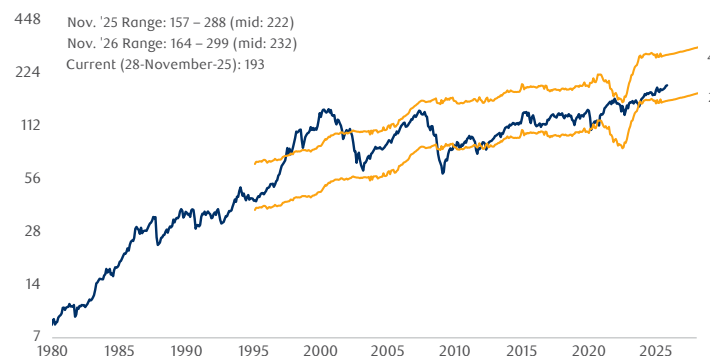


Note: As of November 30, 2025. Source: RBC GAM

“European equities offer an attractive alternative upside if the earnings recovery gains momentum and valuations begin to reflect improving fundamentals.”

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

In Europe more broadly, stocks tied to the performance of the economy are trading at a 30% premium to defensive companies, driven by higher valuations in aerospace and defence, metals and mining, and capital goods. We have added to our holdings in some beaten-down defensive stocks but overall are aligned with expectations that economic growth can push forward. Health Care is a defensive sector that looks particularly attractive after significant valuations declines in 2025 raised the potential for compelling risk-adjusted returns.

Expectations for a 1% decline in earnings at European companies in the latest earnings season did not happen – earnings actually rose by 1%. With global growth remaining decent but insufficient to drive higher earnings expectations, EPS growth expectations for 2025 have come down, and now stand at a modest 0.5%. But as the cycle of more subdued profit forecasts has led to a lower base for 2025, EPS growth expectations for 2026 are now at 13%, which would mark the

second-strongest growth rate since 2010 excluding the COVID recovery period. Our conviction in a 2026 recovery remains intact.

European stocks are trading near 14.5 times 2026 earnings, compared with a 20 multiple for global stocks. The gap implies valuation support for European equities given that 2026 EPS growth expectations are 13% for both indexes, and the valuation gap more than reflects this. We understand investor caution regarding Europe after years of slower growth compared with other regions but believe the foundations for outperformance in 2026 are increasingly solid. The region's valuation discount, improving earnings outlook and more robust fiscal stimulus create a compelling investment case. For investors seeking diversification from concentrated AI exposure and positioning for global economic acceleration, European equities offer an attractive alternative if the earnings recovery gains momentum and valuations begin to reflect improving fundamentals.



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, Taiwan, Japan and Hong Kong outperformed, while Australia and Singapore underperformed.

South Korea's stock market performed strongly as investor optimism increased after the June installation of President Lee Jae Myung led to the passage of a stock-market stimulus and hopes for greater political stability. South Korea's trade surplus widened, with memory chips benefiting from strong prices. Japanese stock markets also performed well amid rising profits and solid domestic demand. Taiwan's stock market was bolstered by the country's position as the top producer of semiconductors used in devices that power artificial intelligence (AI). Australian stocks underperformed on tepid earnings growth and concern that valuations exceeded the prospects for earnings, especially among banks.

Overall, we expect Asia's economy, while solid, to slow slightly in 2026 as softer global trade has the potential to weigh on exports. However, domestic demand remains strong amid monetary-policy easing. Inflation remains mostly contained, granting central banks the leeway to make interest-rate cuts where required. Longer-term developments such as the

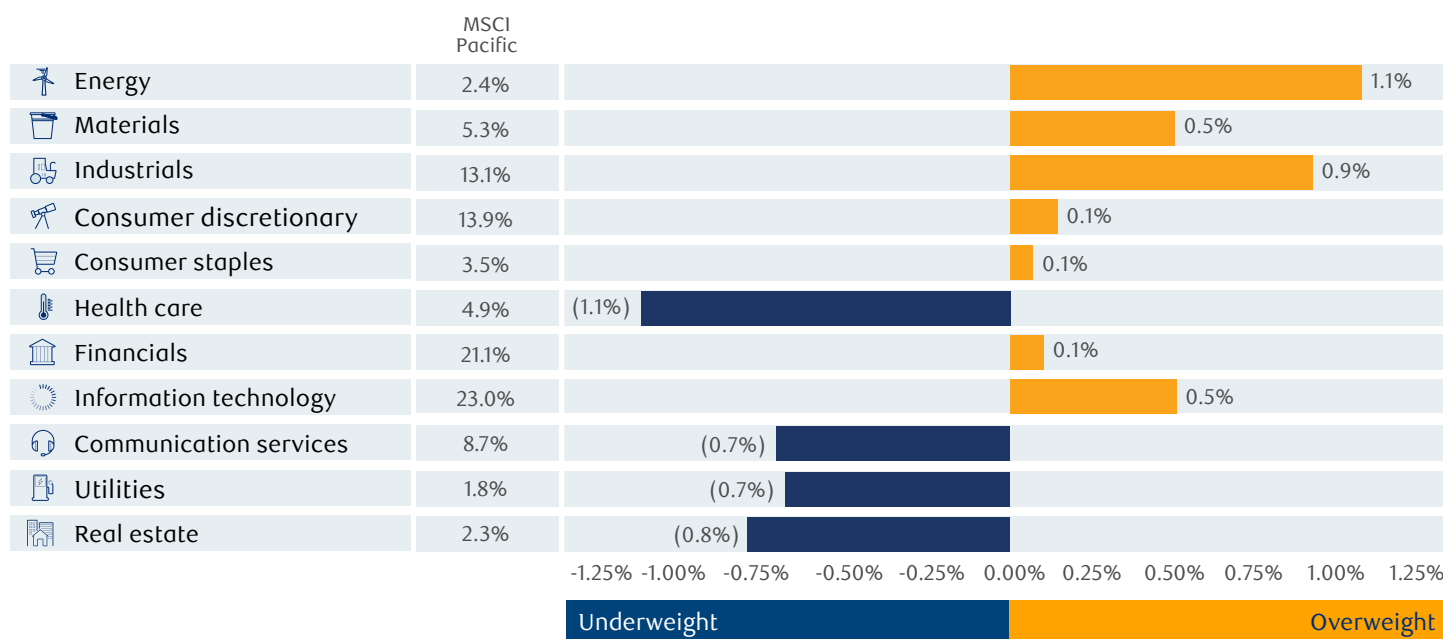
digitization and deeper regional integration are essential to drive the region onto a stronger, more sustainable growth path for 2026 and beyond. Key risks for the region in 2026 include global trade tensions and the potential for weaker demand for technology, as AI-fed semiconductor demand has benefited South Korea and Taiwan greatly in the past two years.

Japan

Japan's economy will likely expand 1% for a second straight year in 2026. Wage gains and a fresh fiscal boost will offset softer exports caused by higher U.S. tariffs. Growth will be restrained by an aging workforce, high levels of public debt and policy uncertainty.

Wages after the impact of inflation are expected to climb in the first half of 2026 due to a slower rise in consumer food costs and stable energy prices. We expect the benchmark interest rate to increase to 0.75% after a rate hike this month or in January 2026, with further hikes possible if wage gains persist. We expect Japanese Prime Minister Sanae Takaichi to emphasize national security and responsible fiscal policy, and corporate-governance reforms to boost earnings and stock prices. The prime minister has also said her government will present a multi-year investment plan focused on AI, semiconductors and defense.

Asia – Recommended sector weights

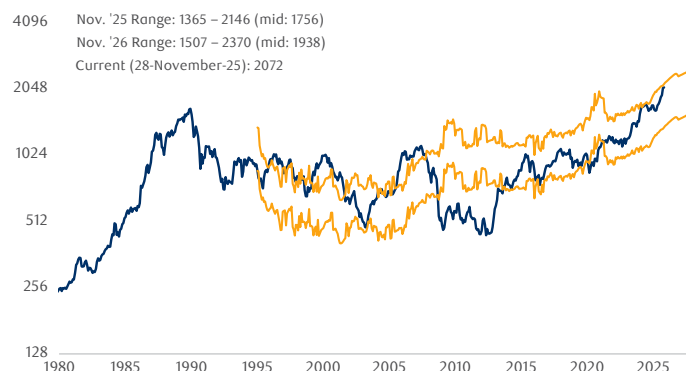


Note: As of November 30, 2025. Source: RBC GAM

“We expect Asia’s economy, while solid, to slow slightly in 2026 as softer global trade has the potential to weigh on exports.”

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

China's economic outlook for 2026 presents a picture of moderate growth amid structural challenges, with most major brokers forecasting GDP growth between 4.2% and 5.0%. The consensus view suggests a slight deceleration from 2025's projected 5.0% growth, reflecting property headwinds while new growth areas such as technology emerge.

Domestic consumption is expected to show only modest improvement, with retail-sales growth projected at 3.3% in 2026 versus 4.3% in the January-October period of 2025, constrained by the property weakness, offset by growth in services, especially in rising demand for travel, and investments in high-tech manufacturing. Government policy strongly supports this transition, with the government's latest five-year plan prioritizing AI and dominance in high-tech manufacturing.

The implementation of the five-year plan will shape economic policy between 2026 and 2030, with China aiming to lift per-capita GDP from about US\$14,000 in 2025 to between US\$25,000 and \$30,000 by 2035. Fiscal policy will remain accommodative, and China is hoping to maintain a budget deficit of about 4% of GDP. The government recently launched a 2 trillion renminbi (US\$280 billion) debt-swap program to address the debt problems of local governments. The government is also implementing measures to combat price wars and overcapacity by shifting from a focus on low-price volume to technological innovation and sectors with higher profit margins. The policy is targeting solar, electric vehicles, steel, lithium and e-commerce, where self-defeating price wars have eroded profitability.

India and Australia

India is projected to remain among the fastest-growing major global economies, with GDP growth of 6.5% to 6.8% in 2026. Private consumption is poised to be the primary driver of GDP growth supported by factors including robust agricultural production and accommodative monetary policy that are expected to boost consumption in rural areas of the country. Recent income-tax relief and a reduction in goods and sales tax will further support consumer spending in urban areas.

Sustained government spending on infrastructure continues to provide strong momentum to the Indian economy. The capital investment budget for 2025-2026 has increased to about 3% of GDP, demonstrating the government's commitment to infrastructure development. Inflation is expected to remain benign between 3.1% and 3.7%, comfortably within the Reserve Bank of India's target band, aided by easing commodity prices and stable food supply. The recent sovereign-credit rating upgrade by S&P to BBB in August reflects global confidence in India's growth prospects and efforts to place greater controls on fiscal spending.

Australia is poised for a year of steady, above-trend growth in 2026, with GDP forecast at 2.2%, underpinned by solid household incomes, firm commodity demand, a tight labor market and rising house prices. Inflation is settling within the Reserve Bank of Australia's (RBA) 2%–3% band. The RBA has already cut rates in 2025, and we forecast limited rate cuts in 2026 barring global shocks. Unemployment is around 4.5% and is expected to ease in 2026 amid slower immigration. Consumption growth is forecast near 2.4 % as tax cuts lift real disposable incomes. However, fading immigration is a mild headwind. Key risks for the Australian economy include any slowdown in China that hurts commodity demand. Stronger Chinese infrastructure stimulus could offset the impact of any negative influences on the economy.



Regional outlook – Emerging markets



Christoffer Enemaerke

Portfolio Manager
RBC Global Asset Management (UK) Limited

Emerging markets will likely end 2025 having outperformed developed markets for the first time in five years, and we are confident that the long-term drivers are in place for a new cycle in favour of emerging markets. Since the late 1980s, there have been two extended periods during which emerging markets outperformed developed markets and two in which they underperformed. The most recent weak cycle, beginning in 2010, has been the longest of the four. The key question going is whether today's emerging-market outperformance is sustainable.

The performance of the U.S. dollar has been a significant factor in these long-term cycles. Historically, emerging-market equities have tended to rise when the U.S. dollar falls, as has been the case this year, and vice versa. Prolonged weakness in the dollar would support further emerging-market outperformance and provide emerging-market central banks with opportunities to ease monetary policy.

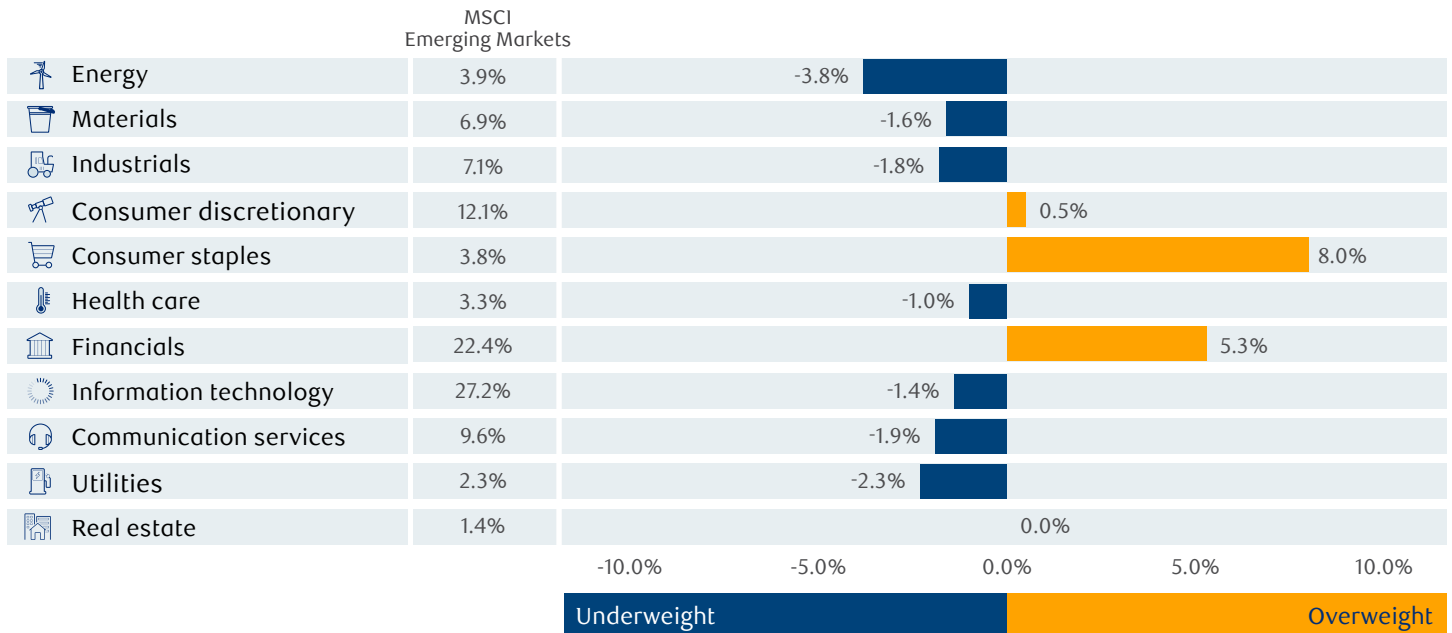
Return on equity (ROE) is another important factor in the improvement of relative returns in emerging markets. Historically, higher relative ROEs in emerging markets have correlated with emerging-market outperformance, but ROEs have been declining on a relative basis in emerging markets since 2010. Over the past year, the improvement has been due to earnings growth and ROE expansion in large Asian markets like China, South Korea and Taiwan. We have seen a number of emerging-market countries focus more on shareholder value, boding well for relative returns in emerging-market equities.

The possibility of a new long-term cycle favouring emerging markets combined with the potential for a peak in relative U.S. economic growth and stock-market capitalization ("U.S. exceptionalism") has renewed investor interest in emerging markets. The large concentration of the U.S. stock market in global equity benchmarks presents risks for global investors if the trillions of dollars of capital expenditures targeted at artificial intelligence do not result in adequate returns.

Valuations

Emerging-market equity valuations have expanded in line with the recent strong performance. The MSCI Emerging Markets index now trades about 2 times price to book value, up from around 1.5 at the beginning of 2024. Even so, emerging-market equities trade at a 45% discount to developed-market stocks based on this measure. Historically, valuation has not been a strong predictor of emerging-market performance, but the substantial valuation discount should provide a level of support and margin of safety.

Emerging markets – Recommended sector weights

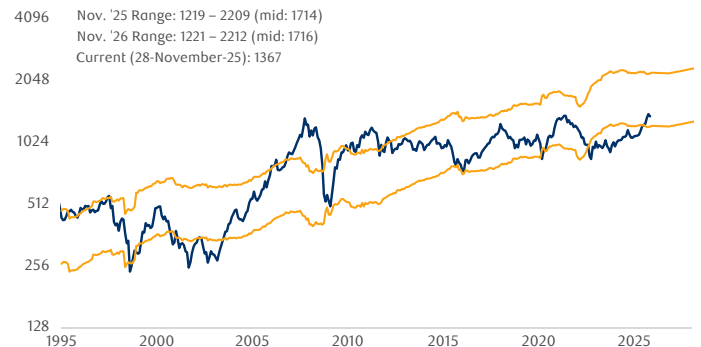


Note: As of November 30, 2025. Source: RBC GAM

“Emerging-market equity valuations have expanded in line with the recent strong performance.”

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

Tariffs

The overall impact of tariffs on most emerging-market economies is likely to be less significant than many investors expect. U.S. exports as a percentage of GDP for emerging-market countries represent less than 15% of GDP. In the case of China, the figure is 2.5%. Mexico, whose exports to the U.S. account for 28% of GDP, is the main exception.

Our view is that Mexico is well-positioned to benefit from the tariff environment and the relocation of global supply chains. The USMCA trade agreement plays a crucial role in this view, as the vast majority of Mexico's exports fall under its terms and are exempt from tariffs. The renegotiation of this trade agreement in 2026 will be important to watch.

India, Brazil, and China are the three emerging markets that stand out for having notably higher effective tariff rates compared with other emerging markets.

- **India:** Tariffs were increased to 50% from 25% given U.S. dissatisfaction with India's Russian oil imports. A willingness by India to reduce this reliance would likely lower the tariff level.
- **Brazil:** Tariffs were hiked to 50% from 10% over political tensions, though recent dialogue hints at potential improvements.
- **China:** The tariff situation remains fluid. Developments around restrictions on rare earths and sanctions on semiconductor chips will be important to monitor.

China

We are now about one year into a rally in Chinese equities. Over the past 20 years, there have been six notable periods of sustained gains in Chinese stocks, and the market as a

whole has had trouble gaining traction. This year, however, a combination of fiscal support, favourable liquidity conditions and a strong Information Technology sector has underpinned the gains.

While technology valuations have risen, the consumer sectors remain more attractively valued, and a broadening-out of performance to other areas of the stock market could add another leg to the gains. China has effectively navigated the trade war by strengthening its trade relationships with countries beyond the U.S. Over the past five years, China's trade surplus has more than doubled, and exports have become more diversified and profitable. Additionally, the number of countries trading more with China than with the U.S. has significantly increased.

India

After several years of strong performance and rising valuations, India's equity market has underperformed emerging markets this year. Several factors have contributed to this underperformance, including slower GDP growth, high equity issuance and expensive valuations. However, India remains attractive from a macroeconomic perspective, supported by a young population, stable political environment, ongoing structural reforms and robust long-term growth potential. India's equity market continues to trade at a premium to the rest of emerging markets, although the gap is now at the lower end of its historical range.

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.



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) \$790.5 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.

*AUM in CAD as of November 30, 2025



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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Head of Emerging Market Equities
RBC Global Asset Management (UK)
Limited

> **David Lambert**

Managing Director & Senior Portfolio
Manager, Head of European Equities
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