RBC Global Asset Management

Insights RBC Global Portfolios

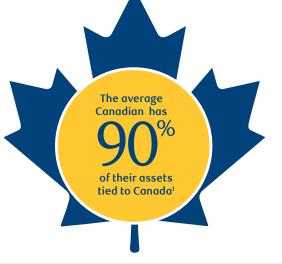
Fall 2020 edition

123187 (10/2020)

How's your home country bias?

As Canadians, we may not realize how much of our wealth is tied to Canada. Our homes, our income and our pensions may all be focused here. So could our investments.

This quarter, we evaluate different ways of diversifying globally and why your investment in RBC Global Portfolios is ideal for investing beyond Canadian borders.



Did you know?



Allocation to Canadian equity in the average Canadian pension plan.²



Canadians were the second leading international buyer of U.S. real estate.³



Percentage of stocks from outside North America in the Top 50 performing stocks globally.⁴

Looking for investment insights?

Investment trends change quickly and often. Subscribe today to receive the latest market insights from our thought leaders directly in your inbox.

To learn more, please visit: rbcgam.com/insights

¹ Source: Investor Economics Household Balance Sheet Report 2018, data as of December 2017, www.investoreconomics.com/ our-services/

- ²Source: Average Defined Benefit (DB) plan, Pension Investment Association of Canada (2019).
- ³Source: National Association of Realtors (NAR), 2016 Profile of International Activity in U.S. Residential Real Estate.

⁴ Source: RBC GAM, Bloomberg. Country location of top 50 companies within the MSCI All Country World Index (2019).

How to diversify globally

As you invest globally, you add the benefits of diversification to your portfolio. This can lead to a smoother investing experience and higher potential returns.

There are several ways to achieve global diversification. As you'll see, some are easier than others.

Focus on a foreign business

Expand a business into global markets or take an ownership stake in a foreign business.



on an exchange.

Sourcing opportunities requires a lot of time and due diligence. It may also require a large multi-year investment commitment.

1

High

May be difficult to find a buyer if you want to sell your stake. The stock of a private company does not trade

Diversify your pension

Boost the portion of foreign investments within your pension plan.



/!\

Risk:

| Moderate |

It may be easy to diversify if you hold a Defined Contribution (DC) plan as many have global investment options to choose from. While you cannot choose your investments directly if you hold a Defined Benefit (DB), many plans have been steadily reducing their allocation to Canadian investments.⁵

<u>/!</u>\ **Risk:**

Depends on your type of plan

In general, investment risk in DB is borne by the plan providers. Investment risk in DC plans is borne by plan participants.

Choose cash and GICs

Change Canadian dollars into a foreign currency or buy USD GICs.



Exchange rates can be volatile. If the Canadian dollar rises in value, the relative value of your wealth in a foreign currency can go down.

Invest in global markets

Use RBC Global Portfolios to diversify.



With one decision, you own a well-diversified portfolio of global investments. You can also automate the purchase of more units to help grow your investments over time.



Our daily oversight of your portfolio helps keep it on track and aligned to your tolerance for risk.

Managed by RBC Global Asset Management: a global investment leader with local expertise.



30+ years of experience

22 investment teams

7 offices globally

ways to diversify globally

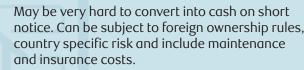
Buy foreign real estate

Buy real estate outside Canada – from a vacation property to a permanent home.

Difficult | (\checkmark) Ease:

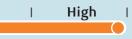
Risk

Requires local expertise in most cases. You may need to spend a significant amount of money up front and navigate foreign ownership rules.









How much global exposure is right for you?

It depends on your personal situation, existing holdings, and how comfortable you are with your current exposures.

Visit www.rbcgam.com/ howsmyhomebias to take a short quiz to help you understand your degree of home country bias.



RBC Global Portfolio

Be a world-wise investo



at invests in a wide variety of geog

Talk to your financial advisor to help you understand where your wealth is now and how you can diversify appropriately.

⁵ If you have a Defined Benefit Pension Plan, the global allocation is at the discretion of the manager of the pension plan



Portfolio manager viewpoint

Sarah Riopelle, CFA, Vice President & Senior Portfolio Manager, Investment Solutions

Equity markets have staged a remarkable recovery as central banks provided critical backstops, economies gradually emerged from shutdown and investor confidence was restored. The economy rebounded quickly after mass quarantines, but progress has slowed as the easiest gains have already occurred. The weak economy and highly accommodative central-bank policies kept government bond

yields at historically low levels. We expect yields to rise from these levels, though not in the foreseeable future. Elevated equitymarket valuations and optimistic investor sentiment leave stocks vulnerable to correction in the near term, and we think style exposures should be managed given the massive valuation gap between growth and value stocks. Over the longer term, however, stocks offer superior return potential versus bonds, a view supported by the still significant equity-risk premium that exists in today's low-interest-rate environment. For these reasons, we shifted two percentage points from our bond allocation to stocks this quarter.

Markets this quarter¹



For the complete Fall 2020 Global Investment Outlook, please visit rbcgam.com/gio

¹All returns are in C\$ except where indicated. Canadian, U.S., International and Emerging Markets index returns are total returns. An investment cannot be made directly into an index. The above does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results.

We thank you for your ongoing trust in continuing to hold RBC Global Portfolios as part of your investment plan. If you have any questions or comments, please contact us or your advisor.

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