RBC Global Asset Management

Insights

RBC Global Portfolios

Summer 2020 edition

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Asset allocation in action

The COVID-19 crisis has disrupted investment markets on a global scale. This quarter, we take a closer look at the key features that make your RBC Global Portfolio resilient during these uncertain times. We also highlight several ways we have actively managed your investment throughout the global pandemic.

A different-looking quarter

Financial markets staged a recovery from March lows. Central banks stepped in to ease liquidity concerns and investor sentiment improved from extremely depressed levels.

The S&P 500 (USD) has **recovered 39.3%** from its March lows.

Central banks have deployed trillions of dollars to help stabilize the global economy.

Global bonds* have **returned 5.1%** year-to-date, helping balance the pullback in stocks.

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* FTSE World Government Bond Total Return Index (CAD hedged) as of June 30, 2020.

Three ways active management works for you

No matter what happens in financial markets, one of the key advantages of being an RBC Global Portfolio investor is that your investments are actively managed. What does this mean to you? We'll explore three important advantages through the examples on this page.

Keeping you on track...

When markets move up and down, "portfolio drift" can occur in unmanaged portfolios. Drift can drive a portfolio's asset mix away from its objective.

If drift results in your portfolio being "too conservative", you may miss out on growth opportunities. It can also lead to unexpectedly large declines if your portfolio becomes "too aggressive".

Comparing RBC Global Balanced Portfolio against a similar unmanaged model portfolio† that was left to drift

Both had an asset mix of 63% equities, 36% bonds and 1% cash in January 2020. From March through May, they looked like different portfolios.

Key take-aways

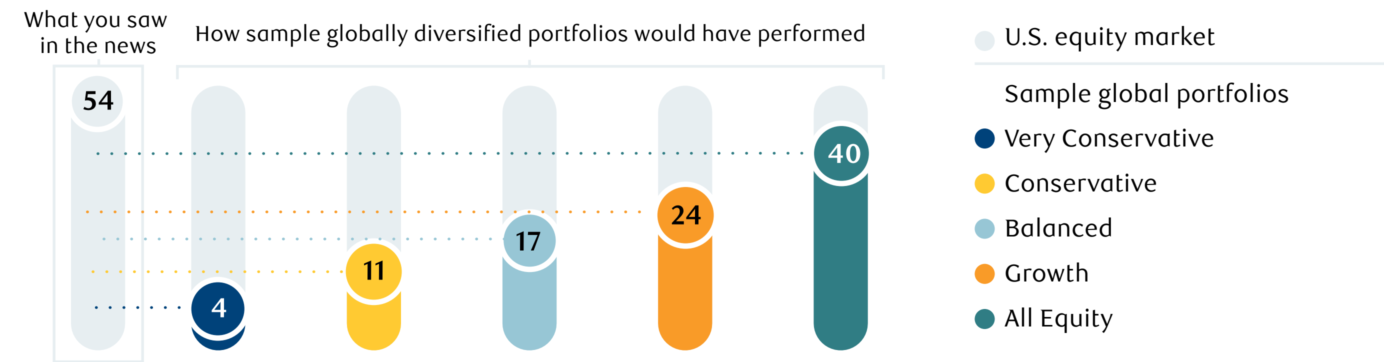
RBC Global Portfolios were buying lower priced equities throughout the pullback. As a result, the Portfolios were well positioned for the rebound in late March.

By failing to rebalance, the unmanaged model portfolio became more conservative (underweight equities) as equity prices dropped and would not have benefited as much from the rebound.

...with a smoother investment experience...

A diversified mix of globally focused bonds and stocks provides a far different investment experience than you see in the market headlines. For example, a Canadian investor holding one of the sample globally diversified portfolios below would have experienced less volatility compared to the headline-making S&P 500 Index - the U.S. equity benchmark.

Number of days with a move greater than +/- 2%



Source: RBC GAM, January 1, 2020 to June 30, 2020. S&P 500 Index performance in $US and sample global portfolios performance in $C. These are hypothetical sample global portfolios based on benchmark indexes. See †† for more details.

...and long-term growth potential

If you're like many investors, you will invest over a number of years and even decades. Through active management, RBC Global Asset Management works to position your RBC Global Portfolio for the long term:

January
At the start of 2020, equity valuations appeared somewhat stretched. Against this backdrop, we reduced our allocation to stocks, moving the proceeds to cash, to lock in gains from our late 2019 positioning.§

February
The plunge in equity prices and bond yields as a result of COVID-19 boosted the relative attractiveness of stocks over bonds. While reconciling near-term market volatility, we added to our equity allocation and sold bonds.§

April and May
Massive support programs and early signs that the crisis could be contained sparked a substantial rally following the March 23rd trough. Our disciplined investment approach proved beneficial as our higher equity weight and positive high yield bond returns enhanced portfolio performance.§

June
The degree to which the pandemic recedes, the speed at which economies reopen, and businesses' ability to adjust all cloud the future. In early June, we narrowed the degree of our equity overweight to reflect this near-term uncertainty, but maintain a slight above-neutral exposure to stocks given their relative attractiveness versus bonds.§

As the COVID-19 crisis evolves, your investment in RBC Global Portfolios will continue to keep pace with changing economic and market dynamics. What remains constant is the globally diversified nature of your portfolio and our active approach to managing it. These key elements help you stay invested during periods of uncertainty and on track to meet your long-term investment goals.

† Source: RBC GAM, As of May 31, 2020. Unmanaged model portfolio constructed with the following weights: RBC Canadian Money Market Fund: 1%, RBC Global Bond Fund: 15%, RBC Global Corporate Bond Fund: 9%, RBC Emerging Markets Foreign Exchange Fund: 4%, BlueBay Global Sovereign Bond Fund (Canada): 6%, BlueBay Global Investment Grade Corporate Bond Fund (Canada): 3%, RBC Canadian Equity Fund: 1%, RBC U.S. Equity Fund: 9%, PH&N U.S. Equity Fund: 8%, PH&N Overseas Equity Fund: 10%, RBC Global Equity Focus Fund: 28%, RBC Emerging Markets Dividend Fund: 7%.

†† Hypothetical sample global portfolios constructed with the following benchmarks and rebalanced monthly: cash = FTSE Canada Cdn Trsy Bill 30 Day, global bonds = BBgBarc Global Aggregate TR Hdg CAD, and global equities = MSCI World GR CAD, emerging market (EM) equities = MSCI Emerging Market GR CAD. Very Conservative: 1% cash, 74% global bonds, 22% global equities, 3% EM equities. Conservative: 1% cash, 59% global bonds, 35.3% global equities, 4.7% EM equities. Balanced: 1% cash, 39% global bonds, 53% global equities, 7% EM equities. Growth: 1% cash, 24% global bonds, 66% global equities, 9% EM equities. All Equity: 1% cash, 87.5% global equities, 11.5% EM equities. One cannot invest directly in an index. The above does not reflect transaction costs, investment management fees or taxes. Past performance is not a guarantee of future results.

§ RBC Global All Equity Portfolio does not hold fixed income and was not tactically adjusted.

Portfolio manager viewpoint

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

The COVID-19 shock pushed global economies abruptly into recession and ravaged financial markets. Government bond yields fell to record lows and stocks plunged into bear markets. Policymakers stepped in quickly and with scale, triggering a rebound in risk assets that was further supported by increasing economic activity as lockdowns eased. Lifting restrictions too early, however, poses a risk that a new wave of virus infections could again force economic closures. Looking beyond the crisis, our longer-term view is that stocks will outperform bonds, and that the current low yields in government bonds will not provide the income or risk-diversifying properties of the past 40 years. As a result, we remain overweight equities, although to a lesser extent than last quarter given our below-consensus growth outlook.

Markets this quarter[1]

+5.9%	+1.0%	+17.0%	+16.3%	+10.1%	+13.1%
Canadian fixed income	**Global fixed income**	**Canadian equities**	**U.S. equities**	**International equities**	**Emerging market equities**
FTSE Canada Universal Bond Index	FTSE World Government Bond Index (CAD hedged)	S&P/TSX Composite Index	S&P 500 Index	MSCI EAFE Index	MSCI Emerging Markets Index

For full Summer 2020 Global Investment Outlook, please visit rbcgam.com/gio

[1] All returns are in C$ except where indicated. Canadian, U.S., MSCI EAFE and MSCI 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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