

# Insights

## RBC Global Portfolios

Winter 2020 edition

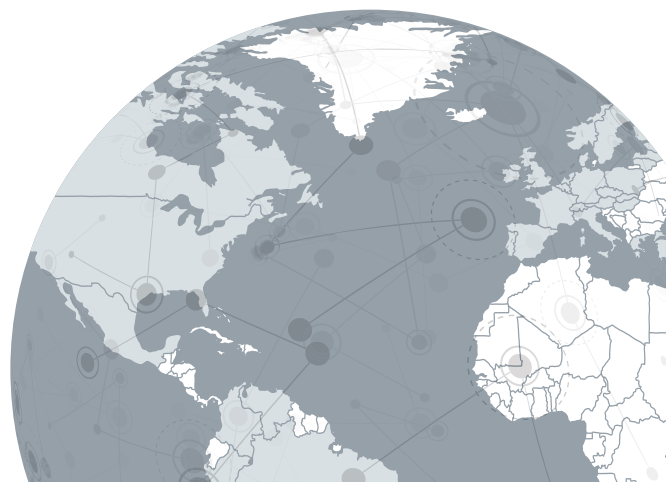


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## A world of opportunity

Artificial intelligence. Automation. Quantum computing. Powerful new ideas and emerging technologies are reshaping the world around us. Global investors stand to benefit as the pace of change accelerates.

Through RBC Global Portfolios, you have access to this growth and innovation. Explore how exposure to these markets can help your portfolio grow on page 2.



## Did you know?



Asian countries will account for over a third of global GDP in 2030<sup>1</sup>



R&D spending by the U.S., China, Germany and Japan account for 62.5% of the global total<sup>2</sup>



Canada's share of the global gross domestic product (GDP) in 2018 was 1.4%<sup>3</sup>

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<sup>1</sup>Visual Capitalist (2019)

<sup>2</sup>World Economic Forum (2018), How much companies spend on R&D

<sup>3</sup>Statista, Canada's share of global GDP

# The future of global growth

Technology, healthcare, and consumer goods and services will be key drivers of global economic growth over the coming decade. Yet they make up only 15%<sup>4</sup> of the Canadian stock market.



**Technology:** The adoption of new technologies is now happening faster and faster, leading to exponential change.

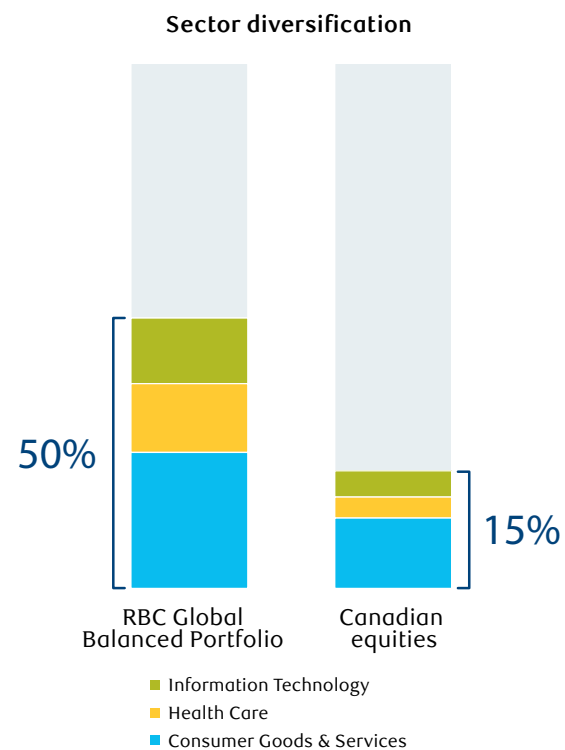


**Health care:** Global healthcare spending is expected to grow 5.4% annually<sup>5</sup> driven by changing demographics and new technological solutions.



**Consumer goods & services:** By 2030, the global middle class is expected to reach 5.3 billion<sup>6</sup> people - an engine of growth that will create investment opportunities across the globe.

With over 50% of equity exposure linked to these fast-growing sectors, RBC Global Portfolios is well-positioned to deliver long-term growth and provide diversification beyond Canada's borders.



Source: RBC Global Asset Management as of November 30, 2019 Canadian equities represented by S&P/TSX Composite Index

## How the world's largest and most innovative economies fit into RBC Global Portfolios

### United States North America



The deepest and most resilient market in the world



Accounts for nearly a quarter of global GDP<sup>7</sup>



Leads the world in R&D spending<sup>8</sup>

### Germany Europe



A leading exporter of high-quality manufactured goods



Most innovative country globally<sup>9</sup>



Exceptional engineering and R&D

### China Asia emerging



2<sup>nd</sup> largest economy in the world<sup>7</sup>



R&D spending has grown more than tenfold since the year 2000<sup>10</sup>



Manufacturing accounts for 46.8% of the country's GDP<sup>11</sup>

### India Asia emerging



Projected to be the second largest economy by 2030<sup>12</sup>



Home to the fastest growing telecommunications industry



2<sup>nd</sup> Largest smartphone market in the world<sup>13</sup>

### Japan Asia developed



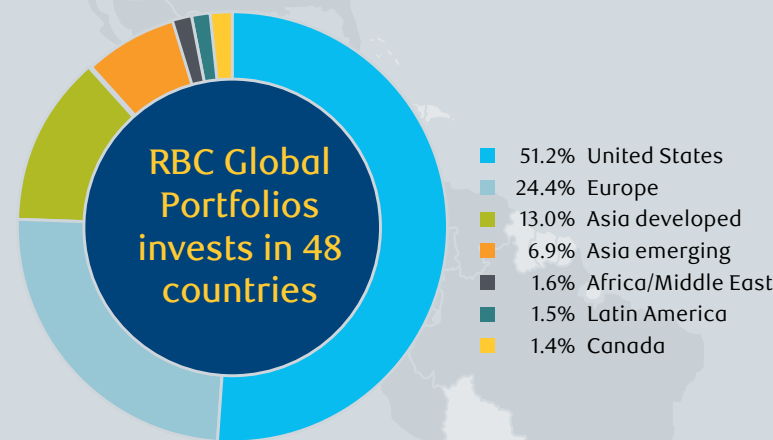
Often noted as an innovation, manufacturing and technological leader



The world's 3<sup>rd</sup> largest producer of electronics goods<sup>14</sup>



R&D spending was 9.5% of global total in 2018<sup>8</sup>

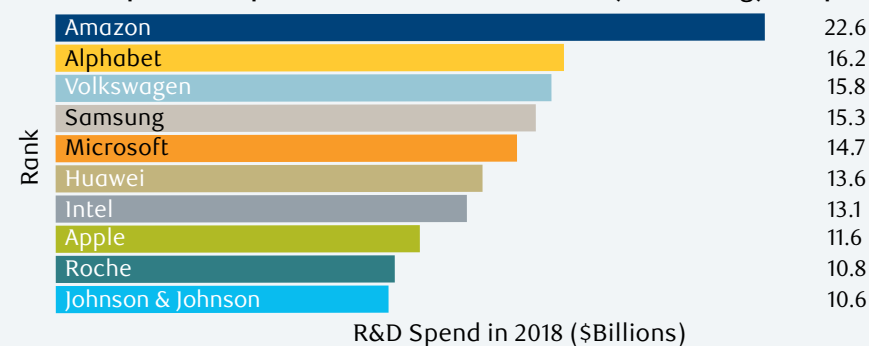


Percentages refer to equity allocation in RBC Global Balanced Portfolio as of November 30, 2019.

### Investing in innovation

Research shows companies that spend considerably more than average on R&D deliver consistently higher performance.

### The top 10 R&D spenders in the world are mostly technology companies



Source: Strategy& (PWC Network) 2018 Global Innovation 1000 Study

Investors today have opportunities like never before to diversify their portfolios. Your investment in RBC Global Portfolios gives you access to some of the world's fastest-growing regions and sectors.

<sup>4</sup> S&P Dow Jones Industries, October 2019

<sup>5</sup> Deloitte (2019)

<sup>6</sup> European Commission (2018), Growing consumerism

<sup>7</sup> World bank, 2018

<sup>8</sup> World Economic Forum (2018), How much companies spend on R&D

<sup>9</sup> Bloomberg Innovation Index (2019)

<sup>10</sup> OECD, 2000-2017

<sup>11</sup> World Atlas (2018)

<sup>12</sup> World Economic Forum (2019)

<sup>13</sup> Iccindia.net (2019)

<sup>14</sup> Statista, 2016



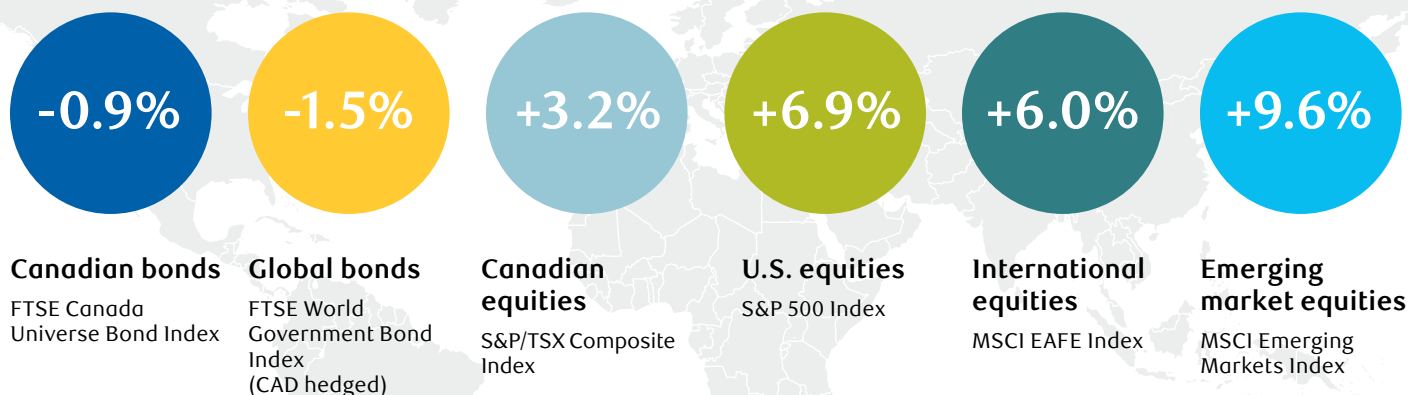
## Portfolio manager viewpoint

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

Financial markets staged a solid recovery in 2019 as a number of key macro challenges from last year faded and new tailwinds emerged. Although risks remain, several positive signals have led us to a more constructive outlook with lesser odds of a negative scenario unfolding. We expect global growth in 2020 to match that of 2019 and have lowered our assessment of the risk of recession. Stocks offer the

potential for bigger gains compared to bonds and, balancing the risks and rewards, we think that the risk premium between stocks and bonds is worth capturing at this time. Stabilization in economic leading indicators, the rotation into value, and improving global market breadth have heightened our conviction in a positive outcome for risk assets. As a result, we added two percentage points to our equity allocation this quarter, sourced from cash.

## Markets this quarter



**For the New Year 2020 Global Investment Outlook, please visit [rbcgam.com/gio](https://rbcgam.com/gio)**

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.**

> Call 1-800-463-3863

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RBC Global Asset Management



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