

Insights

RBC Global Portfolios

Summer 2022



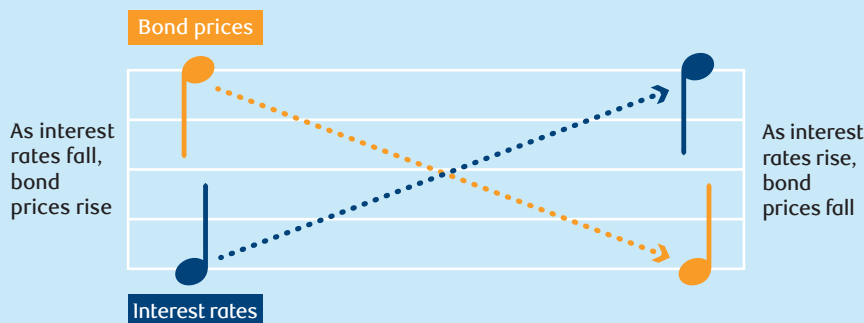
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A note on bonds

Turbulent markets are seldom music to an investor's ears. Rising interest rates have led to volatility for equity and bond markets. For bonds, this has led to poor returns in the near term. While it may be challenging to see right now, bonds continue to bring an important set of benefits to your portfolio. This quarter's Insights explores how.

Bonds are very complex instruments. But understanding the relationship between interest rates and bond prices can be simple.



Today's rising interest rates are weighing on bond prices. This can reduce the value of fixed income holdings in the short term. However, the ability to reinvest interest income and proceeds from maturing bonds at higher rates, coupled with investing in a diversified mix of fixed income assets can add value over the long term.



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The role of bonds in a harmonious portfolio

Advantages of rising rates

Despite the near-term challenges, it is important to remember that rising rates can be good for bonds over longer time periods:



Rising interest rates present opportunities to buy new bonds at higher yields.



Your return on a bond is not just about its price. Rising yields can create capital losses in the short term, but can set the stage for higher future returns.

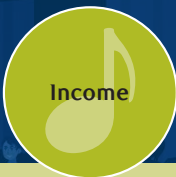


Over time, your portfolio earns more income than it would have if interest rates remained lower.



Hitting the right notes

Diversifying across different types of bonds results in a more resilient portfolio. We ensure your RBC Global Portfolio is broadly diversified in several important ways: by region, credit rating, type and strategy. This helps keep your holdings well-balanced in all market conditions. Our unique blend of underlying fixed income holdings is designed to ensure your portfolio provides stability, income and diversification.



Access our unique blend of underlying funds managed by specialized fixed income teams	High-quality assets that mitigate volatility and provide consistent returns	Specialty credit used judiciously to reliably add to portfolio income	Exposure to a variety of sub-asset classes globally can make a portfolio resilient
RBC Global Bond Fund	●		●
RBC Global Corporate Bond Fund	●		●
RBC Emerging Markets Foreign Exchange Fund		●	●
BlueBay Global Sovereign Bond Fund (Canada)	●		●
BlueBay Global Investment Grade Corporate Bond Fund (Canada)	●		●

Rising rates do not affect all bonds equally

Rising interest rates do not impact all bond prices in the same way. For example, two bonds of the same type but with different maturity dates or credit quality may be affected differently. Bonds of different types or from other geographic regions will also react differently. That's why it's important to hold a diversified mix of fixed income. It can help balance out the overall performance of your portfolio.

Fixed income asset class performance amid rising rates

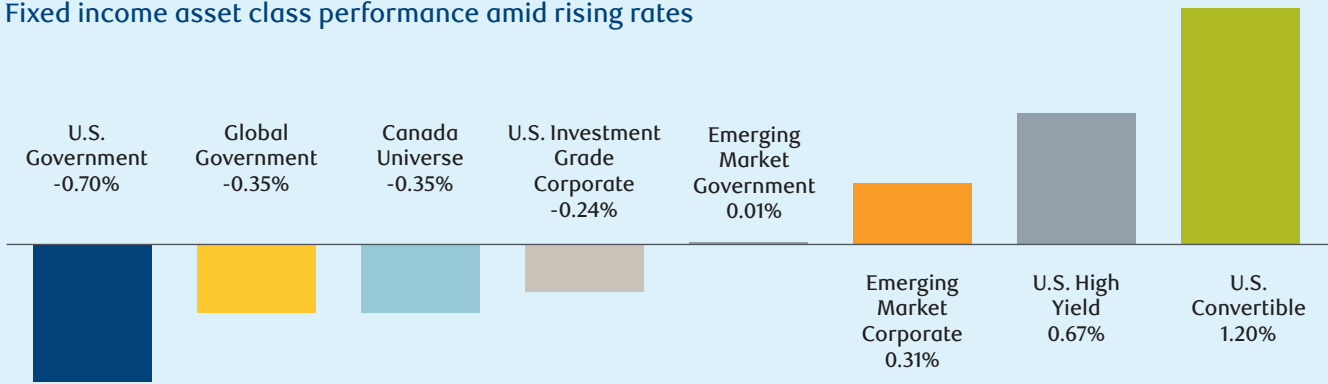


Chart depicts average monthly return of fixed income indices in months in which the yield of U.S. Treasuries rose for the 15 year period ended May 31, 2022. U.S. Government = ICE BofA US Treasury Index, Global Government = FTSE WGBI Index (C\$ Hedged), Canada Universe = FTSE Canada Universe Bond Index, U.S. Investment Grade Corporate = ICE BofA US Corporate Index, U.S. High Yield = ICE BofA BB-B US HY Index, Emerging Market Government = JPM EMBI Global Diversified Index, Emerging Market Corporate = JPM CEMBI Diversified Index, and US Convrt = ICE BofA US Convertible Bond Index. All returns are in U.S. dollar except for Canadian Bonds (CAD) and Global Government (CAD Hedged). Source: Morningstar Direct

¹Six months ended June 10, 2022. Allocation was increased for all RBC Global Portfolios except RBC Global All-Equity Portfolio which does not have an allocation to fixed income.

A unique feature of RBC Global Portfolios is that all of its fixed income holdings tap into the vast investment universe outside Canada. This can create greater opportunities for your portfolio.

Source: RBC GAM. The table illustrates all fixed income mutual funds held across the following RBC Global Portfolios as of May 31, 2022: RBC Global Very Conservative Portfolio, RBC Global Conservative Portfolio, RBC Global Balanced Portfolio and RBC Global Growth Portfolio. Not all funds shown are necessarily held in all portfolios. RBC Global All-Equity Portfolio did not hold any fixed income mutual funds as of May 31, 2022. Fund holdings are subject change at any time.

Tuning up for the long term

As bond prices fell over the first half of this year, it presented us with the opportunity to buy new bonds at lower prices. We have added a 4% allocation to bonds for an investor with a balanced risk profile over this period.¹ As we navigate through uncertain markets, RBC Global Asset Management (RBC GAM) will continue to find the right rhythm and mix for your portfolio.

Through broad diversification and active management, your investment in RBC Global Portfolios can help you stay on track. With 200 on-the-ground investment professionals across three highly experienced global fixed income teams and five key offices around the world, you can be confident that your portfolio's fixed income assets are actively managed as economic and market conditions change.

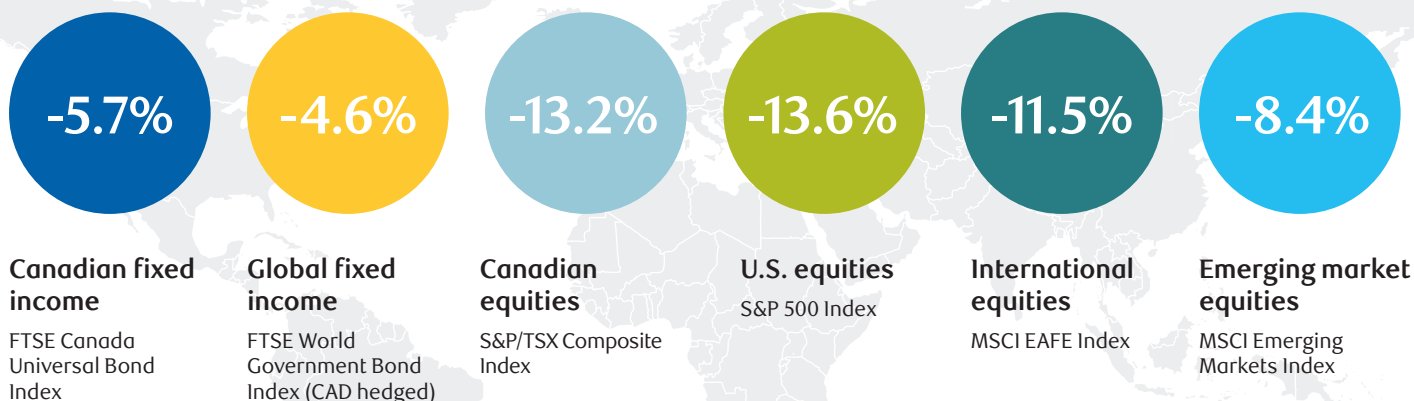


Portfolio manager viewpoint

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

Key headwinds to the economy include high inflation, aggressive central-bank tightening, a global commodity shock, supply-chain challenges and China's zero-tolerance COVID-19 policy. Accordingly, our 2022 growth forecast was reduced further and we now expect growth in 2023 to be the weakest in over a decade excluding the pandemic shock. Yields surged in the latest quarter, significantly reducing valuation risk and boosting return potential for bonds moving forward. Although there is a path to solid returns on stocks, the risk/reward has diminished as corporate profits are vulnerable to a slowdown. During the quarter, we added to our fixed-income allocation and reduced our equity allocation but maintain a small overweight position. We are now much closer to our strategic neutral allocation than at earlier points in the cycle, reflecting a higher degree of uncertainty in the outlook and wider range of potential outcomes than usual.

Markets this quarter¹



For our complete Summer 2022 Global Investment Outlook, please visit rbcgam.com/gio

¹Source: Bloomberg. As of June 30, 2022. All 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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