

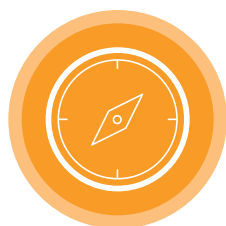
# Insights

## RBC Portfolio Solutions

Fall 2022



126980 (10/2022)



## Your portfolio: Navigating the challenging economic conditions

This year has been a tough one for investors. Markets have experienced significant volatility as the economy grapples with a range of headwinds. This quarter we assess where we currently are in the economic cycle and where we might be headed. We then explore the elements that power RBC Portfolio Solutions to endure over the short term and stay well-positioned for the long term.



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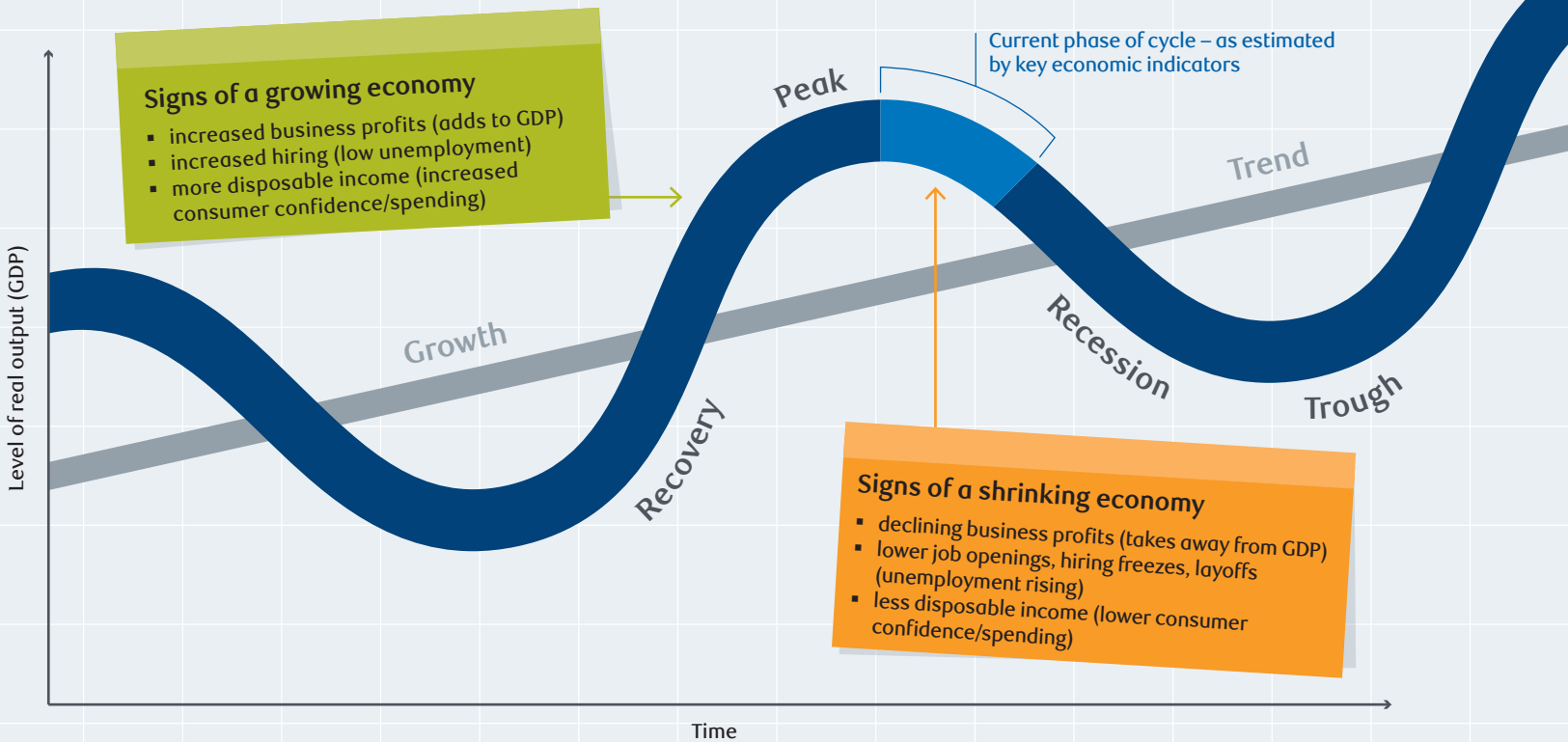
# Keeping an eye on the economy

The economic environment in 2022 has been changing rapidly. We've kept a close eye on the economy by monitoring many factors including Gross Domestic Product (GDP), unemployment levels and consumer behaviour.



## Phases of the economic cycle

The economy goes through ups and downs as it navigates the different phases in the cycle. Over the long term, however, it follows an upward growth trend. Currently, measures of economic confidence, and measures of intentions to spend, invest and hire have fallen significantly, while the pace of economic activity itself has decelerated slightly.



### Where is the economy headed?

As the economy continues to weaken, given the many headwinds in place, the risk of recession over the next year has been elevated. As such, we've downgraded our economic growth forecast for the coming year.

Canada 2023  
GDP Forecast: **0.30%**

This is a downward revision from previous growth expectations of 1.1% next year.

## Implications for your portfolio

The economic challenges this year have led to negative returns for both bonds and equity markets. While periods like this are rare, it doesn't make them any less difficult.

**9** times in 72 years.  
The number of six-month time periods when stocks and bonds were both down from 1950 to today.

Note: Stocks represented by S&P 500. Bonds represented by 10 Year U.S. Treasury Bill. Data from January 1950 to June 30, 2022. Source: Robert J. Shiller, RBC CM, RBC GAM.

One small consolation is that much of the valuation risk in bond and equity markets has now been alleviated. As a result, long-term return expectations across a number of asset classes have improved.



## Positioning for what's ahead

### Diversification is still your most important investment strategy

Different types of investments in different markets rise or fall at different times and to a varying degree. Combining them into a well-diversified portfolio can stabilize your investment returns over time.

Asset class returns	Canadian fixed income	Global fixed income	Canadian equities	U.S. equities	International equities	Emerging markets equities	Diversified portfolio <sup>1</sup>
Year-to-date	-11.8%	-12.8%	-11.1%	-16.8%	-20.7%	-20.8%	-14.6%
10-year	1.7%	1.7%	7.3%	15.6%	7.2%	4.5%	7.0%

As of September 30, 2022. See 'Markets this quarter' and footnote 2 on back page for index representation and additional disclosure.

<sup>1</sup> Diversified Portfolio represented by 2% Cash, 30% Canadian fixed income, 8% Global fixed income, 15% Canadian equities, 25% U.S. equities, 15% International equities and 5% Emerging market equities.

### Evolving your portfolio

Over the years, we have added new asset classes, entered new markets, diversified the breadth of our fixed income holdings and brought new capabilities to our firm. This is consistent with our always-evolving approach to asset management.

### Staying active

Market fluctuations can have an impact on your portfolio's asset mix. To bring you back to your preferred risk tolerance level we use daily cash flows to help manage portfolio drift and keep trading costs low.

## Working to balance current needs with future potential

Financial markets, like the economy, do not move in a straight line. They go through up and down cycles. As we manage your portfolio, you can be confident that we are working to mitigate the impact of current economic headwinds, while also ensuring you are well positioned when positive tailwinds emerge.

To explore your portfolio in more detail, please speak to your advisor.

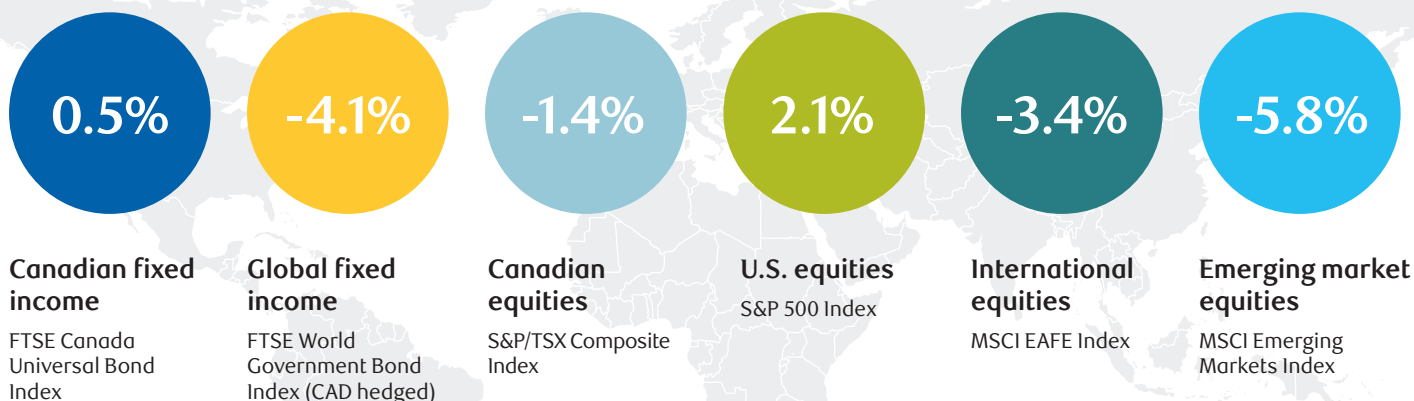


## Portfolio manager viewpoint

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

The macroeconomic environment is highly uncertain and we believe that the range of potential outcomes for markets continues to be especially wide. Challenges to the economy include aggressive central-bank rate hikes, extremely high inflation, an energy crisis in Europe, China's troubled real-estate market, U.S. politics and the lingering effects of the pandemic. Consequently, we have further downgraded our growth forecasts for the year ahead as the risk of recession is elevated. The massive increase in yields and drawdown in stocks have greatly reduced valuation risk and enhanced return potential for bonds and stocks. Over the longer term, we continue to believe that stocks will outperform bonds. In the near term, corporate profits may soon encounter headwinds especially if recession were to materialize, but at today's higher yield levels, bonds offer a much better ballast for stocks in the event of an economic downturn.

## Markets this quarter<sup>2</sup>



For our complete Fall 2022 Global Investment Outlook, please visit [rbcgam.com/gio](https://rbcgam.com/gio)

<sup>2</sup>Source: Bloomberg. As of September 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 Portfolio Solutions as part of your investment plan. If you have any questions or comments, please contact us or your advisor.

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