

Insights

RBC Retirement Portfolios

Summer 2020 edition



116751 (07/2020)

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 Retirement 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 at June 30, 2020.

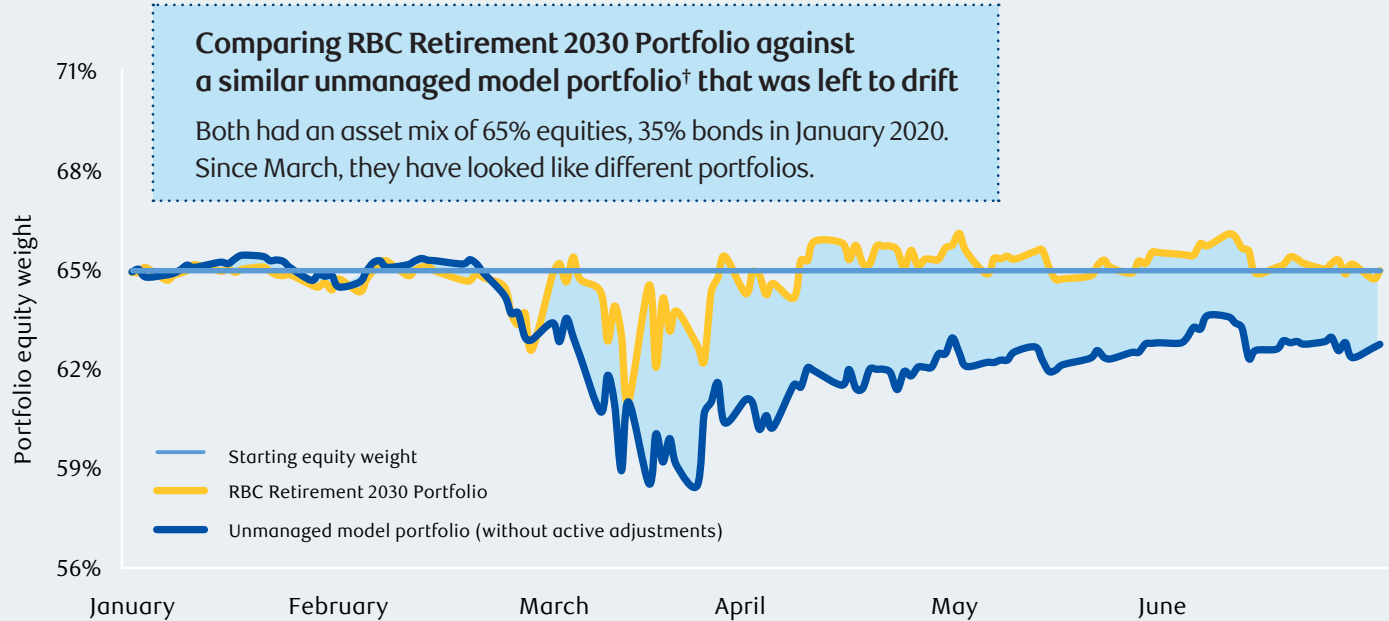
Three ways active management works for you

No matter what happens in financial markets, one of the key advantages of being an RBC Retirement 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”.



Key take-aways



RBC Retirement 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.

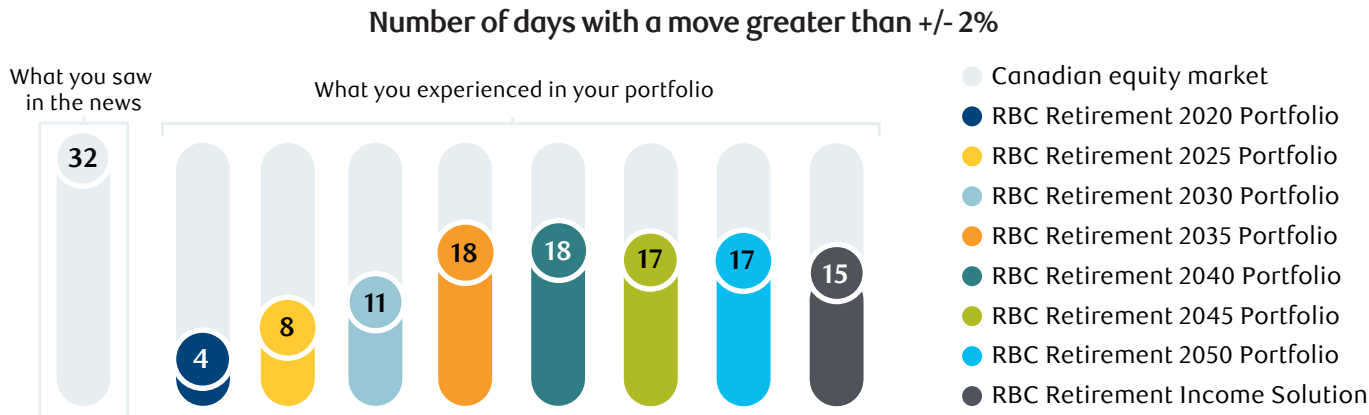
[†]Source: RBC GAM, As of June 30, 2020. Unmanaged model portfolio constructed with the following weights: RBC Canadian Money Market Fund: 1%, RBC Bond Fund: 16%, RBC Global Bond Fund: 2%, RBC Global Corporate Bond Fund: 4%, BlueBay Emerging Markets Corporate Bond Fund: 6%, RBC High Yield Bond Fund: 6%, RBC Canadian Equity Fund: 21%, PH&N U.S. Multi-Style All-Cap Equity Fund: 8%, RBC Global Equity Fund: 30%, RBC Emerging Markets Equity Fund: 6%.

[§]RBC Retirement Portfolios (Sr. A) annualized performance as of June 30, 2020, inception date for all portfolios is October, 2016: RBC Retirement Income Solution 1yr: 2.7%, 3yr: 3.0%, Since inception (SI): 2.9%; RBC Retirement 2020 Portfolio 1yr: 2.4%, 3yr: 4.0%, SI: 4.4%; RBC Retirement 2025 Portfolio 1yr: 1.5%, 3yr: 3.9%, SI: 4.5%; RBC Retirement 2030 Portfolio 1yr: 1.1%, 3yr: 4.0%, SI: 4.7%; RBC Retirement 2035 Portfolio 1yr: 1.1%, 3yr: 4.0%, SI: 4.6%; RBC Retirement 2040 Portfolio 1yr: 1.4%, 3yr: 4.1%, SI: 4.7%; RBC Retirement 2045 Portfolio 1yr: 1.3%, 3yr: 4.1%, SI: 4.7%; RBC Retirement 2050 Portfolio 1yr: 1.3%, 3yr: 3.5%, SI: 3.9%.



...with a smoother investment experience...

The underlying mix of funds in your portfolio provides a far different investment experience than you see in the market headlines. See how your RBC Retirement Portfolio[§] compared to the S&P/TSX Composite index – the Canadian equity benchmark.



Source: Morningstar Direct. January 1, 2020 to June 30, 2020. All performance in C\$. RBC Retirement Portfolios Series A. Canadian equity market = S&P/TSX Composite Index (Price Return).



...and long-term growth potential

Whether you’re in your early investing years or nearing retirement, your investment time horizon is likely decades and not years. Through active management, RBC Global Asset Management works to position your RBC Retirement Portfolio for the long term:

March

In light of the market pullback, we made a tactical allocation decision to overweight equities by +1.5% in the RBC Retirement 2020 and RBC Retirement 2025 Portfolios.

June

We extended the glidepath by 5 years to help younger savers start investing in RBC Retirement Portfolios as early as 40 years before retirement. This change also meant adjusting the equity exposure up slightly in RBC Retirement 2050 Portfolio.

Coming soon

Two new funds are joining the RBC Retirement Portfolios. Later this summer, RBC Retirement 2055 Portfolio and RBC Retirement 2060 Portfolio will be available for investors with longer time horizons to retirement.



As the COVID-19 crisis evolves, your investment in RBC Retirement Portfolios will continue to keep pace with changing economic and market dynamics. What remains constant is the 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.

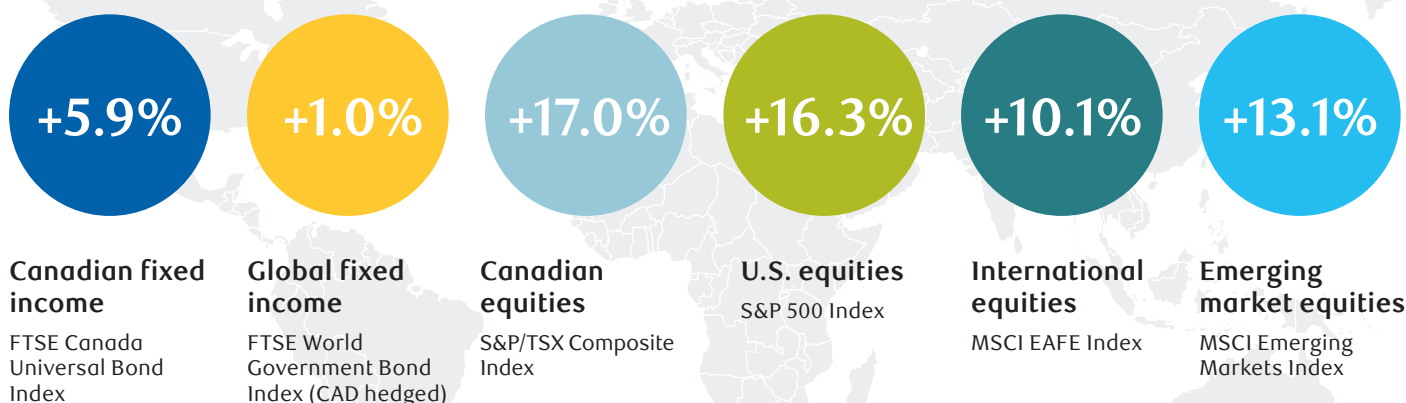


Portfolio manager viewpoint

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.

Markets this quarter¹



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

¹All 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 Retirement Portfolios as part of your investment plan. If you have any questions or comments, please contact us or your advisor.

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RBC Global Asset Management



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