RBC Global Asset Management

Insights

RBC Global Portfolios

Winter 2024

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Helping you navigate uncertain markets

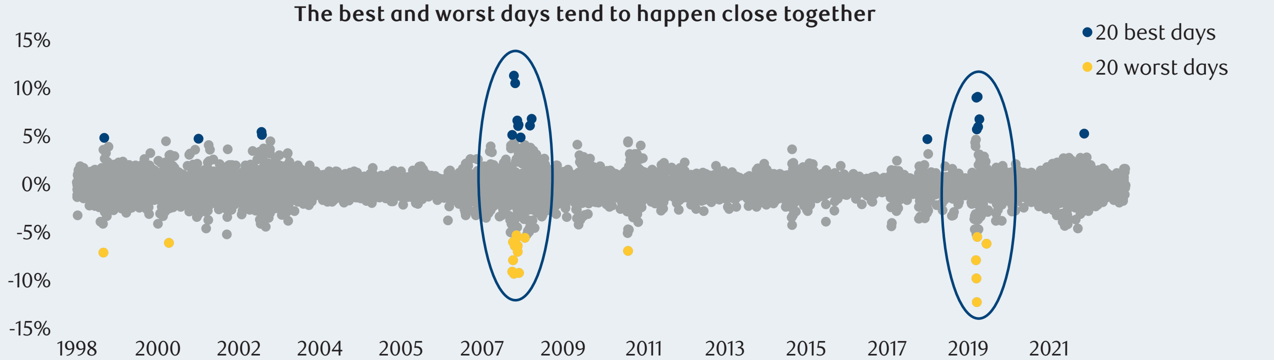
Interest rates, economic news, geopolitical events and natural disasters can all create market turbulence. How can investors stay on course when markets start to falter? This edition of Insights illustrates why focusing on what you can control and staying invested in a diversified portfolio can help you reach your investment goals as you navigate all kinds of market conditions. We know it isn't easy to deal with volatile markets, and we explore how RBC Global Portfolios can help.

The difficulty of timing the market

During highly volatile periods, it can be tempting to move money in and out of the market in an attempt to buy at the bottom and sell at the top. This is called market timing and doing this successfully is nearly impossible. That's because it requires perfect timing of both the exit and the re-entry into the market.

Making this even more difficult is the fact that the best and worst days to invest tend to happen very close together. Poor timing could mean missing out on some of the best trading days of the year. A disciplined and well-defined investment process, like the one we use in RBC Global Portfolios, doesn't lose sight of the long-term objective in periods of market stress.

The best and worst days tend to happen close together



Source: RBC Global Asset Management (RBC GAM), Bloomberg. S&P 500 Index daily price returns January 1, 1998 to November 30, 2023. An investment cannot be made directly into an index. The graph 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.

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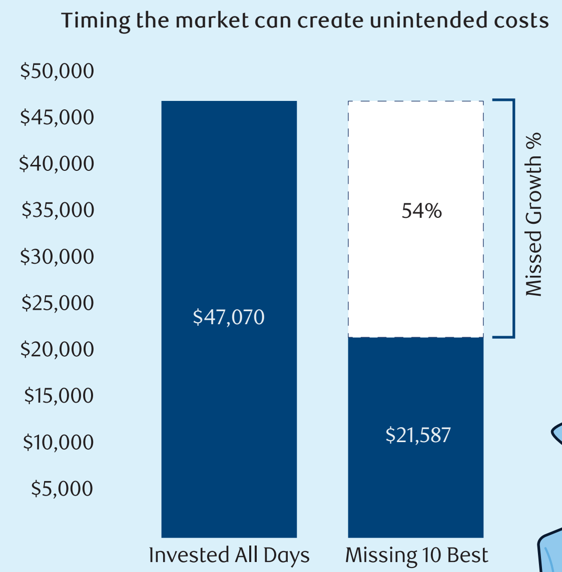
The benefits of staying focused and being diversified

During volatile markets, staying invested in a diversified portfolio is key to achieving your investment goals. RBC Global Portfolios are designed with a long-term focus and a robust process for managing through periods of uncertainty.

The cost of missing out

It's common to feel apprehensive when markets are volatile, and we are not immune to those feelings. But staying invested through market volatility is a key ingredient to long-term success.

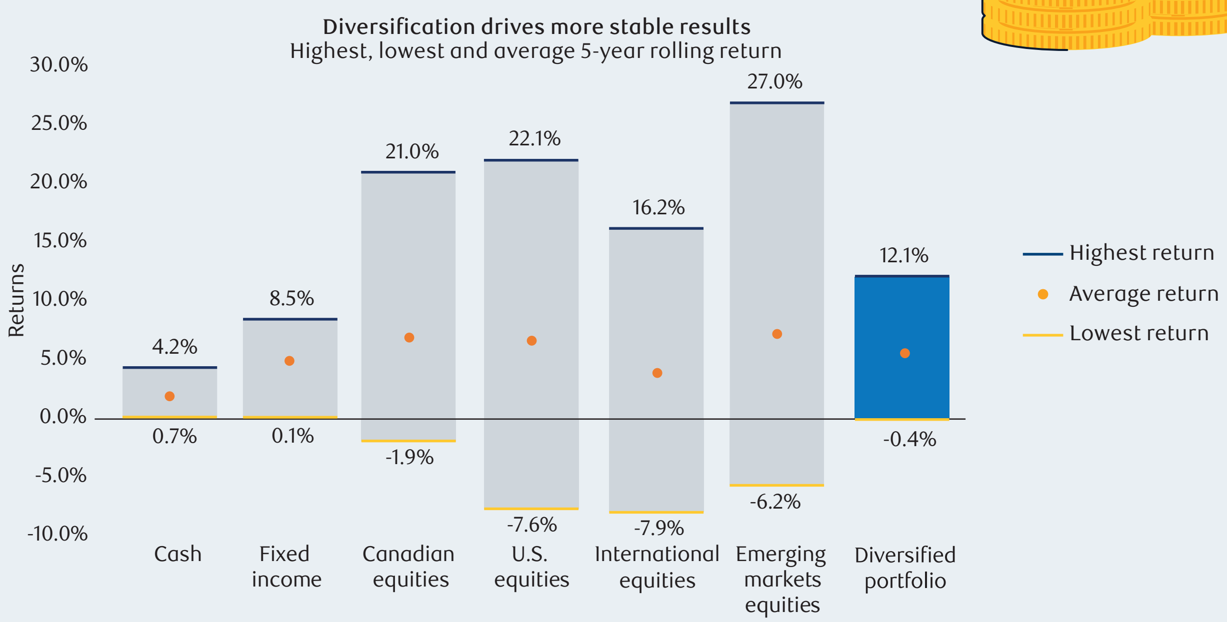
Looking at the past 25 years in U.S. equity markets, an investor who missed out on the 10 best trading days saw 54% less growth than an investor who stayed invested. Sitting out during periods of volatility may feel successful in avoiding declines, but historical data tells us down days are often followed quite closely by a rebound. This means when markets bounce back, there's a good chance you'll miss the best days too.



Source: RBC GAM, Bloomberg. Growth of $10,000 invested in the S&P 500 Index returns from January 1, 1998 to November 30, 2023. Values in Canadian dollars. An investment cannot be made directly into an index. The graph 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.

Diversified with stability in mind

RBC Global Portfolios diversify your underlying investments across different asset classes and geographic regions, helping to reduce volatility. The various asset classes are carefully blended to strike the right balance between growth and stability. This means that strength in one area of the markets can offset weakness in another and help reduce the overall portfolio risk. Over time, this leads to less volatile returns relative to investing in a single asset class.



Source: RBC GAM. Based on five-year rolling returns from January 1, 1998 to November 30, 2023. Past performance is not a guarantee of future results. Five-year rolling returns refer to periods of 60 consecutive months with new periods beginning on the first day of each month. Diversified Portfolio assumes monthly rebalancing as represented by 2% Cash, 38% Fixed income, 15% Canadian equities, 25% U.S. equities, 15% International equities and 5% Emerging market equities. Cash: FTSE Canada 30 Day T-Bill Index; Fixed income: FTSE Canada Universe Bond Index; Canadian equities: S&P/TSX Composite Index; U.S. equities: S&P 500 Index; International equities: MSCI EAFE Index; Emerging markets equities: MSCI Emerging Markets Index. All returns are total returns in Canadian dollars. Index returns do not reflect deduction of expenses associated with investments. If such expenses were reflected, returns would be lower. An investment cannot be made directly in an index.

Managing the complexity of investing

Global investing requires us to consider vast amounts of information to make decisions. To manage the complexity of this information, we take a team-based approach. Your portfolio integrates knowledge from across RBC GAM, including views on macro trends, markets, and asset allocation from our investment leaders, underlying fund managers, and the RBC Portfolio Solutions team.

Support across RBC GAM

- **8** Offices in key markets around the world
- **18** Investment teams
- **4** Specialty research & development teams
- **350+** Investment professionals
- Watching **60+** Macro factors

Some of the inputs to our investment analysis

- Asset valuations
- Style, factor, market cap performance
- Economic data releases
- Asset class performance
- Geopolitical developments

The combined expertise of our investment professionals keeps your portfolio well-positioned and on track to meet your goals.

No one knows exactly what lies ahead in the markets. That's why we follow a disciplined investment process developed over many decades. This process, along with an experienced team of professionals, works together to keep your portfolio well-positioned and on track to meet your goals. You can keep up to date with our latest perspectives at rbcgam.com/insights.

Portfolio manager viewpoint

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

There is significant uncertainty at this point in the economic cycle. While pathways to an economic soft landing are evident and the odds of such an outcome are improving as inflation moderates, our base case is one where economies fall into recession over the next several quarters. Against this backdrop, we think central banks are likely to cut policy rates at some point over the next year, setting up a more positive environment for bond returns. Although we continue to expect stocks to outperform bonds over the longer term, the premium associated with holding them, relative to fixed income, is perhaps not properly compensating investors for the risk of an economic downturn. Given the balance of risks and opportunities against both short-term and long-term investment horizons, we added to our fixed-income allocation over the past quarter, boosting our bond weight above neutral for the first time in two decades.

Markets this quarter*

8.3%
Canadian fixed income
FTSE Canada Universe Bond Index

5.5%
Global fixed income
FTSE World Government Bond Index (CAD hedged)

8.1%
Canadian equities
S&P/TSX Composite Index

11.7%
U.S. equities
S&P 500 Index

7.7%
International equities
MSCI EAFE Index

5.2%
Emerging market equities
MSCI Emerging Markets Index

For our complete New Year 2024 Global Investment Outlook, please visit rbcgam.com/gio

*Source: Bloomberg. As of December 29, 2023. 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 your advisor.

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