Wealth Management
Dominion Securities

Partaker Wealth Management
www.partakerwealth.com
partakerwealth@rbc.com

Portfolio Advisor

Spring 2020

Market commentary



The COVID-19 pandemic has created a tremendous amount of uncertainty across global equity markets.

Equities

The COVID-19 pandemic has created a tremendous amount of uncertainty across global equity markets. Investors are struggling to assess the full impact of the severely reduced economic activity created by population lockdowns, self-isolation and social distancing measures worldwide. As economic indicators and first-quarter corporate earnings begin to roll in over the next few months they will make for grim reading despite the colossal fiscal and monetary efforts of governments and central banks. We expect market swings – both up and down – to remain the norm in the short term, as investors digest clues that the health care crisis is being alleviated and they determine the depth of the damage from COVID-19.

While we believe a recession will be temporary, and that the global economy and corporate earnings have the potential to begin recovering later in the year, there are numerous factors that could disrupt the eventual course of the pandemic and economy. To address this risk, we have moved down our recommended global equity exposure.

Fixed income

Global-benchmark U.S. Treasury bonds saw enormous swings in their yields over the course of March. But with the U.S. Federal Reserve stepping in to support markets – cutting their bank lending rates, buying up market assets to inject cash (i.e., liquidity) into the market – we think the U.S. Treasury market's volatility will subside. Though plenty of public health concerns and economic risks remain in the months ahead, current market conditions offer attractive valuations across a number of fixed income sectors when considered against their risks, with current valuations largely unseen for at least a decade.

We are maintaining our present portfolio weighting in global fixed income, as global yields remain historically low, and we think they will steady around current levels. With markets already priced for a temporary recession, we are prudently increasing our holdings of high-yield corporate and credit debt.

To learn more, please ask us for the latest issue of *Global Insight*.

RBC Wealth Management
Global Portfolio Advisory Group

And then along came a black swan ...

After more than a decade of delivering phenomenal returns to investors, global equity indices reached their zeniths in the latter part of February.

Economists had already begun to debate the timing of the natural end of the business cycle – itself also stretching back through the prior 10 years – and market pundits worried that the longest bull market in history was on its last legs. Then a true "black swan" event – the COVID-19 pandemic – overtook the world. But despite the cause of the market's woes being so different, over the long term, the market's response – and recovery – will likely not be.

It's always darkest before the dawn

A black swan event is an unforeseen occurrence that has a substantial and meaningful impact. In short, it is a shocking surprise with often world-changing consequences, like the COVID-19 pandemic. It caught the world completely by surprise, and sideswiped the global economy and investment markets along with it. In response to the anticipated economic impact of physical distancing and massive shutdowns of major economies around the world, equity markets plunged and bond yields collapsed. This drove short-term interest rates to record lows, and government and high-grade corporate debt prices to record highs (bond yields have an inverse relationship to bond prices – when yields fall, prices rise, and vice versa).

Much of the market upheaval was generated by the uncertainty of the pandemic's economic impact. Humans dislike information vacuums, and tend to fill a void with the worst possible scenarios. But with governments and central banks – not to mention companies, individuals and charitable organizations – stepping in quickly and forcefully to help individuals and businesses, some of the market angst was assuaged. This has helped to stabilize and even buoy stock values after a relatively short time.

Patience pays

Post-crisis market performance of the S&P 500 Index

10 worst quarters (since 1950)	Related event	Performance	Subsequent returns: 1 year	3 years	5 years
Q3 1974	Oil embargo / stagflation	-25.2%	38%	73%	118%
Q4 1987	Black Monday	-22.5%	17%	49%	109%
Q4 2008	Financial Crisis	-21.9%	26%	49%	128%
Q2 1962	Cuban Missile Crisis	-20.6%	31%	69%	95%
Q2 1970	Vietnam War	-18.0%	42%	57%	56%
Q3 2002	Tech Wreck	-17.3%	24%	59%	105%
Q3 2001	Elevated global tensions	-14.7%	-20%	13%	40%
Q3 2011	Eurozone debt crisis	-13.9%	30%	86%	113%
Q3 1990	Savings and loan crisis	-13.8%	31%	64%	121%
Q4 2018	U.S.-China Trade War	-13.5%	31%	?	?
	Average		25%	58%	98%
Q1 2020	COVID-19 pandemic	-19.6%	?	?	?

Source: RBC Global Asset Management. Returns are in U.S. dollars, include dividends, and are compound annual rates of return for 3- and 5-year returns. An investment cannot be made directly into an index. The table does not include 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.

The waiting is the hardest part

As most long-term investors know through experience, markets do go through periods of upheaval that lead to stretches of volatility, sometimes even extreme volatility. However, as the chart here shows, after such events pass – and they always do within a few months or quarters – investors have historically enjoyed substantial returns in the ensuing years.

This too shall pass

Previous major market events have been caused by economic, financial or social conflagrations, like wars or political crises. This black swan event was caused by a health crisis (and exacerbated by a dispute between Russia and Saudi Arabia over oil production that has led to collapsing oil prices). As a result, its length and impact is difficult to gauge, and its resolution still remains murky. Waiting out the uncertainty – and the consequent volatility – is always the difficult part for an investor. But what is becoming clearer by the day is that this too shall pass, and that patience, once again, will reward investors over time.

Recession-ready portfolio

Weathering the economic downturn

The decade-long economic expansion that started after the Great Recession in the latter half of 2009 entered 2020 already looking rather tired and worn, with economic indicators steadily losing steam. COVID-19 was the catalyst that brought a sudden end to one of the greatest economic expansions in modern history – and its effects will likely be felt for some time. It's a difficult time to be an investor, but there are things you can do (or not do), while looking forward to the inevitable recovery.



Positive signs

The U.S. S&P 500 Index reached an all-time high on February 19. Since then, markets proceeded to fall over 30%, hitting their most recent nadir on March 23.

Encouragingly, markets have since stabilized, even recovering a good portion of their steep losses. Whether this stabilization will hold in the shorter term is particularly difficult to predict, as we still know so little about the virus and, therefore, the extent of its impact on the global economy. However, one thing is certain: governments around the world have worked to control the spread of the virus through physical distancing and varying degrees of economic lockdowns. The length and severity of these measures will largely determine the extent of the impact to the economy – and that, in turn, will likely be reflected in stock values.

How investors can weather the storm

As always, the worst thing to do is to panic and unnecessarily abandon your well-constructed financial and investment plans. If your goals have not changed, then your plans generally shouldn't either. However, there may be opportunities or adjustments you should consider.

- **Commitment:** Take the time to review your goals and financial circumstances with us. If they have not changed, your plan shouldn't either. Re-commit to your plan, knowing that, historically, markets have always recovered in time and should continue to build wealth for patient investors.
- **Calibration:** That said, you may need to make some tweaks, depending on your situation. When markets are volatile and the economy is in recession, it only makes sense to consider your risk exposure. This doesn't necessarily mean changing your plan, but simply being prudent as it relates to your equity and bond holdings.
- **Quality:** In times of uncertainty and economic stress, blue chip – high-quality, consistent-earning, well-established, and long-standing – companies and their stocks and bonds can provide relatively safe harbours in which to ride out the storm. Consistent dividend-payers (and even better, dividend-growers) can help, with the dividend income offsetting a lack of capital growth until the market situation improves.

While we're all at home and doing our part to slow the spread of COVID-19, we're pleased to offer virtual portfolio reviews. We would also be happy to provide a virtual portfolio review to any of your friends or family members concerned about the current market situation.

Hoping for the best, preparing for the worst

Estate planning in the time of COVID-19

COVID-19 has naturally prompted many Canadians to reflect on their own mortality and the well-being of their loved ones. Times like these can provide an impetus to ensure our estate plans are up to date, or to get started if we haven't yet. It's a difficult but important thing to consider, so you can ensure your wishes are realized and your beneficiaries are set up for success after you are gone.



Your estate plan: Leaving a legacy for tomorrow means planning today

Establishing how you wish your financial affairs and assets – your "estate" – to be handled when you die is an important component of financial planning. A desire to leave a legacy behind when you pass on – whatever that legacy may be – has critically important implications for your financial plan today, as it can dictate how you allocate your assets, and how those assets are handled and/or managed. Integrating your estate plan with your financial and investment plans is critical to your long-term success – today and beyond.

Your Will: Where there's a Will, there's a way

Ensuring your estate is settled and disbursed based on your wishes requires a Will. A Will expresses in clear and legally valid terms your wishes after you are gone, and a good Will does so effectively, thoughtfully and efficiently. If you die without a Will, it means you have died "intestate" – and in that case the government's intestacy rules kick in. This means that your wishes may not factor into how your estate is settled, but rather the government's standard formulas will determine how your estate is settled instead.

Power of Attorney: Plan for the possible but unpredictable

Another aspect of estate planning that is often overlooked but is just as crucial for you and your family is a Power of Attorney. This is a legal document that empowers a person or an institution to act on your behalf, should you be unable to yourself. These powers can be either very broad – power over all of someone's affairs and finances – or more specific to their property, financial matters or health care.

Estate planning: It's important, and it can be complicated, but we can help

Estate planning is important at any time. But the unprecedented times we are experiencing today can serve as a strong catalyst to action. Most of us want to help our families and beneficiaries by ensuring that they don't have to take on an unnecessary burden after we're gone, including unnecessary legal or tax issues that can lead to financial losses or family disputes. That's where your estate plan comes in.

We can help you build or update your estate plan, and integrate it into your financial and investment plan. Together with our partners at RBC Royal Trust, we are able to offer a wide range of estate planning services virtually – so you can stay safe at home while we get through these troubled times.

Protecting yourself from COVID-19 scams

With the arrival of the COVID-19 pandemic, protecting your health has become the #1 priority. Unfortunately, protecting your property and your privacy from criminals has also become increasingly important as scams and frauds soar during these trying times.



The COVID-19 pandemic is an unprecedented event, and we're all concerned about the health and safety of our loved ones. If that weren't enough, the pandemic has also brought in its wake criminals, fraudsters and scammers, who are feeding off the uncertainty brought on by the pandemic to deceive and steal.

As anxiety spreads, so do the scammers

According to law enforcement and cyber security experts, fraudsters have exponentially ramped up their criminal activities with the arrival of COVID-19. The pandemic has made people particularly vulnerable to online scams for two reasons. One, the heightened emotions that it has generated make us vulnerable to these criminals' manipulations and deceptions. Two, the physical distancing necessary to help reduce the spread of the virus has left many of us isolated. This helps criminals to confuse and beguile their victims to more easily manipulate them into doing what they want.

Stay cyber safe

The arrival of the coronavirus did not mark the beginning of phone and cyber (or online) crime and information theft. Fraudsters and thieves existed long before the arrival of the Internet. They existed before there were terms like phishing – where criminals send emails falsely purporting to be from real companies in an effort to induce you to provide them with key personal information, such as passwords and credit card numbers. But the pandemic has introduced a raft of specific COVID-19-related scams:

- **Texts:** Messages that appear to be from upstanding organizations like the Red Cross asking you to click a link to receive a free face mask or other PPE (personal protective equipment) are very likely false. Delete the text, and head to the organization's actual website to get the facts.
- **Emails:** Be on the lookout for COVID-19 emails pretending to be from a charity raising money to help in the fight against the virus, or from a government department to provide an "urgent" update or financial refund – they are phishing emails. Delete them and reach out directly to the charity or government agency.
- **Phone:** Beware of anyone claiming to be from an official government health organization. With one recent scam, fake officials falsely claim that you have tested positive for COVID-19, and ask you to provide them with your personal and financial information so you can receive a prescription for treatment. Don't provide any information, and instead just hang up. Ideally, don't answer calls from numbers you don't recognize.

Learn how to protect yourself by visiting RBC's Cyber Security site at rbc.com/cybersecurity. You will learn how to spot and avoid scams, as well as what to do if you become a victim. Stay on top of the latest scams through the Scam Alerts page on the Cyber Security site.



Wealth Management
Dominion Securities

This information is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. RBC Dominion Securities Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. ® / ™ Trademark(s) of Royal Bank of Canada. Used under licence. 20_90083_832 (04/2020)

Finding clarity in crisis

Setting life and financial goals is important any time. But in deeply troubling and challenging times like we face today, we are often more focused than ever on what matters to us – and what doesn't, too. While you are isolated at home, consider revisiting your goals – and maybe setting some new ones – together with your family.



The game of (your) life

To help reduce the spread of COVID-19, millions of us have been cooped up at home for weeks, often with little to do or anywhere to go. Many of us are finding constructive activities to keep ourselves busy, and even developing new hobbies and abilities. Some of us may have even dusted off their old board games, like The Game of Life, finding new fun in old pastimes.

But if you are running short of things to do during the Great Lockdown – and let's face it, there's only so much on Netflix that's worth watching – there's a great activity to consider that is critically important. And it will help ensure that you are set up for success long after the pandemic has come and gone. That activity is establishing what matters to you and, from there, setting (or re-setting) your life and financial goals.

Let's get started!

Here are five questions you can ask yourself (or along with your spouse/partner/family) to help establish what matters to you:

1. **What are the principles and values that guide my life?** (e.g., caring for the environment, commitment to family, giving back to the community, creating wealth, caring for others)

2. **What matters most to me?** (e.g., family, happiness, financial freedom, career building or growing a business)

3. **Over the next year to three years, what are my key priorities?** (e.g., seeing my kids off to the next stage of their lives, saving for retirement, buying a cottage)

4. **Longer term, what are my priorities?** (e.g., physical/mental health, transitioning to retirement, selling or passing my business to my children)

5. **What is my legacy going to be, and how will I ensure that it reflects my wishes and values?** (e.g., establishing a charitable trust, passing my wealth to my children/family, donating funds to an institution or cause)

Establishing what matters to you infuses your goals with meaning

Now that you have taken the time to articulate your principles and values, establish what matters to you and consider what your priorities are in the near and long term, as well as your legacy, you are able to establish your goals. When your goals align with what fundamentally matters to you, you are far more likely to stay on a plan that helps you achieve them.

We can help – talk to us today about establishing your goals and setting in place a plan that will help you achieve them. You don't even need to leave the safety of your home, as we can do it all remotely.

RBC Wealth Management
Dominion Securities

This information is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. RBC Dominion Securities Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. ® / ™ Trademark(s) of Royal Bank of Canada. Used under licence. 20_90081_1034 (04/2020)