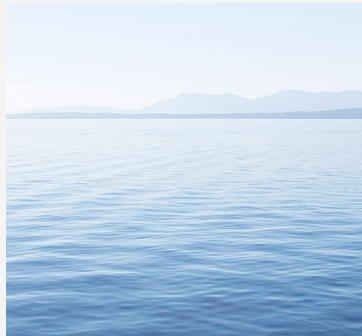


# Wealth Management REVIEW



Wealth Management  
Dominion Securities

www.rbcwealthmanagement.com | July 2016



## In brief

### Helping to protect fresh water

Canadians rank fresh water as Canada's most important natural resource, according to the 2016 RBC Canadian Water Attitudes Study. Now in its 9th year, the study was released in conjunction with RBC Blue Water Day on June 2. To learn more about RBC's commitment to protecting fresh water, see page 4.

### Meeting your goals with top-ranked services

Advisors ranked RBC Dominion Securities the highest among bank-owned wealth management firms in the 2016 Brokerage Report Card published by Investment Executive. The firm received top rankings in 28 of 33 categories, including support for developing financial and investment plans for clients, as well as support for tax, estate and insurance planning.

## Does Brexit change everything?

By Jim Allworth

“Yes” for the U.K. and Europe. “Not as much” for North America and Asia. Market volatility around this issue is not over.

Brexit leaves the U.K. and Europe in an uncomfortable limbo that is likely to last for at least a couple of years as Britain negotiates its way out of the European Union (EU). That would be hard enough to do if everything stayed put until an eventual agreement was reached. But there are a great many moving parts that won't sit still.

There is talk in Scotland, where a big majority voted to remain in the EU, of another referendum on whether to depart the UK. There are similar thoughts being expressed in Northern Ireland.

On the other side of the North Sea, “euro skeptic” parties have been on the rise in several EU countries. Emboldened by Britain's planned departure and appealing to electorates fatigued by crisis and austerity, or simply tired of the status quo, these parties are expected to make gains in several elections scheduled for the coming 12 months.

Meanwhile two years of UK/EU negotiation translates into two years of uncertainty for both businesses and consumers, on top of the one year since the Conservatives

committed to hold the referendum in the 2015 general election. This has already produced a fall off in the pace of economic growth in the first two quarters of the year. We expect an outright recession will arrive in the second half for the UK.

One of the sectors experiencing a sharp deceleration has been foreign direct investment (FDI). For a number of years foreign companies have been eager to locate operations in the UK where they could enjoy unrestricted access to the very large EU market while availing themselves of English law and language, a skilled workforce, and developed, efficient infrastructure. Such investment from abroad has slowed measurably in the past several quarters. It is expected to shrink even further in the year ahead.

Not only does this subtract directly from the business capital spending component of GDP but it also robs the economy of future employment. Worryingly, the UK has depended on these foreign capital in-flows to finance its current account deficit, recently running at almost 5% of GDP, the largest in the developed world. The implication is for an even weaker currency.

Continued on page 2

Does Brexit change everything?  
continued from page 1

And then there is trade. Almost half of all British exports head into the EU. A significant but much smaller proportion of EU exports head the other way. Both will lose when those flows are constrained.

All that said, in the long run losses to both economies may prove to be moderate. However, in our view, the potential for economic and financial volatility will remain elevated over the coming year.

### Transatlantic implications

In North America, the spillover effects of European turmoil are likely to be limited. Direct trade flows are not large and in any event may not be materially affected. However, slower growth in Europe and the UK might take even more steam out of commodity markets, a headwind for Canada. The strengthening of the U.S. dollar vis-à-vis the euro and pound may reduce the reported profit contribution of many foreign affiliates of U.S. companies.

A greater risk would stem from any knock-on effects of financial sector stress in Europe into the banking sector in North America. Recessions are almost always triggered by a pronounced tightening of monetary conditions – usually by way of a series of central bank rate hikes. That conventional lead-in to a North American recession seems unlikely to materialize since the U.S. Federal Reserve has backed away from a second rate hike, which is now rated as unlikely before the middle of next year. The Bank of Canada also looks ready to offer more monetary rate cutting should it be required.

It's also true, we believe, that North American banks are in the strongest capital position in years, have loan books that are mostly in very good shape, and are much less exposed to



capital markets volatility than they were prior to the financial crisis.

In our view the probability of a North American recession arriving in the coming year is still low. However, arguably the risks are now higher that they were prior to the surprise Brexit result. Getting the recession call right is paramount since every deep, drawn-out decline in equity prices (i.e., a bear market) has been associated with an economic downturn.

If this is not the start of a bear market – and we don't think it is – then, like all corrections, it will eventually offer opportunities to buy great businesses at knock-down prices.

Brexit is not going to magically resolve itself, nor are the messy politics of Europe or anywhere else. But at some point the market will have finished discounting these issues and will once again focus on the prospects for earnings growth in the context of a North American economic expansion that has further

to run – all the more so because central banks appear likely to remain even more accommodative and for much longer than appeared likely a few weeks ago.

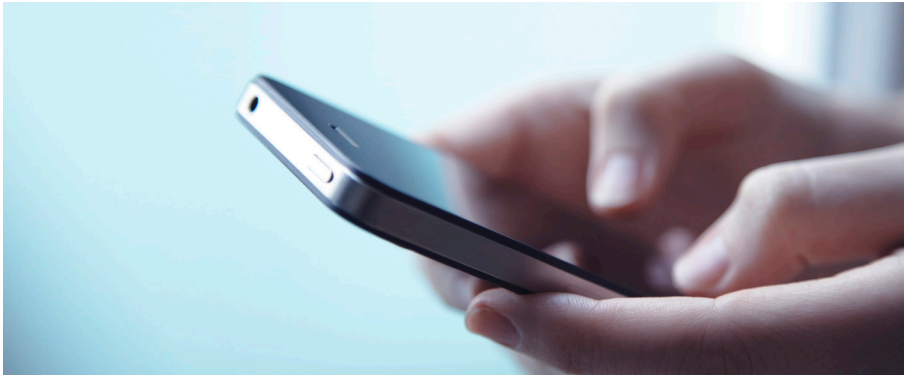
### Approach with caution

As this is written, it does not appear conditions have as yet coalesced in a way that would suggest the correction has run its course or that a renewed upward move in equity prices is imminent. At some point in the coming months we expect valuations will become more compelling in conjunction with the more intensely negative investor sentiment that has often marked important turning points. Until those conditions arrive we recommend this market be approached with caution.

Jim Allworth is co-chair of the RBC Global Portfolio Advisory Committee.

# 10 tips to safeguard your assets

Here are 10 ways to reduce the risk of theft or misuse of your personal and financial information.



Knowledge is often your best defence against fraud.

## 1. Keep your personal information confidential

An identity thief may go to any lengths to obtain your personal information, so be sure to shred receipts, copies of credit applications, insurance forms, credit offers received in the mail, and forward any mail to your new address if you move. Don't give out personal information unless you know and trust the requestor.

## 2. Know your billing and statement cycles

If your bills or statements don't arrive on time, follow up immediately to ensure they have not been redirected. Review your statements regularly to ensure all transactions are authorized, and review your credit report annually.

## 3. Protect your PIN

Never reveal your PIN to anyone, and always keep your client card within your sight and shield the keypad while you enter your PIN.

## 4. Limit your risk

If you don't need a high daily withdrawal limit on your debit card, reduce it so that the amount a

fraudster can access is limited. Only carry the ID and credit cards that you need; leave the rest (especially your birth certificate, SIN card and passport) somewhere secure.

## 5. Protect your information online

Be cautious in your online activity, especially when using the internet in public locations and accessing secure sites. Make sure your home wi-fi connection is password-secured.

## 6. Be password-smart

Never share your passwords, and always use ones that are difficult to guess – using a mix of letters, numbers and characters. Don't recycle passwords and don't use the same passwords for online banking as you would for any other services.

## 7. Verify before you click

Verify a message before you take any other action, such as clicking on a link or initiating a transaction, and never click on any links or open files in emails from people you don't recognize.

## 8. Encrypt for greater security

Always use encryption when sending confidential information by email,

and never store sensitive data about yourself or others in your email folders. Even encrypted emails can be hacked.

## 9. Maintain a suite of software security products

Install a well-recognized security program on all of your devices, and keep it up-to-date.

## 10. Always log off

Remember to log off and close your browser to prevent others from being able to view your information later.

To learn more, please visit [www.rbc.com/privacysecurity](http://www.rbc.com/privacysecurity), or contact us today.

# Helping to protect our most precious natural resource: fresh water

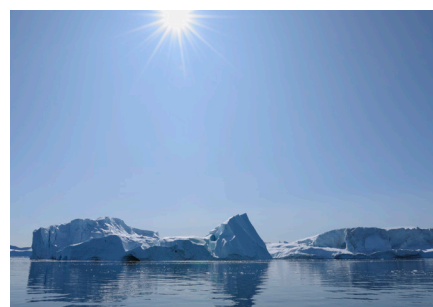
On RBC Blue Water Day, June 2, RBC announced more than \$3.2 million in donations to support water protection programs by 152 organizations in six countries.

The donations will fund programs that improve urban water quality, enhance storm water management and protect and restore urban waterways.

This is year nine of RBC's 10-year, \$50 million global commitment to help protect fresh water. Since its inception in 2007, the RBC Blue Water Project has pledged over

\$47 million to more than 760 charitable organizations worldwide that do their part to protect watersheds and promote access to clean drinking water, with an additional \$8.8 million pledged to universities for water programs.

For more information, visit [www.rbc.com/bluewater](http://www.rbc.com/bluewater).



## Interest rates applied to account balances as of June 22, 2016\*

	Canadian dollar accounts	U.S. dollar accounts
All credit balances	0.05%	0.05%
Debit balances under \$10,000	4.70%	5.75%
Debit balances \$10,000 – \$24,999	4.45%	5.50%
Debit balances \$25,000 – \$49,999	4.20%	5.25%
Debit balances \$50,000 – \$99,999	3.95%	5.00%
Debit balances \$100,000 and over	3.70%	4.75%
All debit balances for registered accounts	4.70%	5.75%
All credit balances for registered accounts	0.05%	0.05%

The interest rates that will be in effect for debit balances in cash and margin accounts fluctuate with the Royal Bank prime rate as follows:

Debit balances	Canadian dollar rates†	U.S. dollar rates†
Under \$10,000	CAD Prime + 2.00%	USD Prime + 2.25%
\$10,000 – \$24,999	CAD Prime + 1.75%	USD Prime + 2.00%
\$25,000 – \$49,999	CAD Prime + 1.50%	USD Prime + 1.75%
\$50,000 – \$99,999	CAD Prime + 1.25%	USD Prime + 1.50%
\$100,000 and over	CAD Prime + 1.00%	USD Prime + 1.25%

† Based on Royal Bank prime rates as of June 22, 2016. CAD Prime = 2.70% and USD Prime = 3.50%. Rates are subject to change.

\* RBC retains the right to change interest rates on a discretionary basis. A committee comprised of individuals representing various authorities within RBC Dominion Securities administers these interest rates. These rates are adjusted from time to time based on various factors, including, but not limited to, competitive analysis, Bank of Canada and other bellwether rates and/or cash rates. Interest amounts less than \$5 are neither charged nor paid on regular accounts, and interest amounts less than \$1 are neither charged nor paid on special product accounts. Rate changes of less than 1% will be processed on the 22nd of the month. The average daily cash balance for the month determines the tier that will be used to establish the rate. For interest rates on balances other than CAD or USD, speak to your advisor, or go to [www.rbc.com/cash-margin-rates.html](http://www.rbc.com/cash-margin-rates.html).



**Wealth Management**  
Dominion Securities

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. Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. Should you borrow money to purchase securities, your responsibility to repay the loan as required by its terms remains the same even if the value of the securities purchased declines. Insurance products are offered through RBC Wealth Management Financial Services Inc. ("RBC WMFS"), a subsidiary of RBC Dominion Securities Inc.\* RBC WMFS is licensed as a financial services firm in the province of Quebec. When providing life insurance products in all provinces except Quebec, Investment Advisors are acting as Insurance Representatives of RBC Wealth Management Financial Services Inc. In Quebec, Investment Advisors are acting as Financial Security Advisors of RBC WMFS. RBC Dominion Securities Inc.\*, RBC WMFS and Royal Bank of Canada are separate corporate entities which are affiliated. \*Member-Canadian Investor Protection Fund. RBC Dominion Securities Inc. and RBC WMFS are member companies of RBC Wealth Management, a business segment of Royal Bank of Canada. ©Registered Trademarks of Royal Bank of Canada. Used under licence. © 2016 RBC Dominion Securities Inc. All rights reserved. 16\_90083\_260 94616 (06/2016)