NOVEMBER 2015

RBC WEALTH MANAGEMENT

GLOBAL INSIGHT

PERSPECTIVES FROM THE GLOBAL PORTFOLIO ADVISORY COMMITTEE

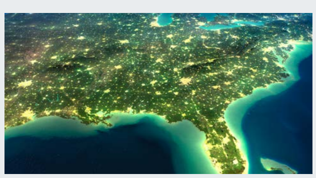
Changing of the Guard

The Liberal Party's call for change resonated across Canada; how will it play out as campaign promises turn into policies?

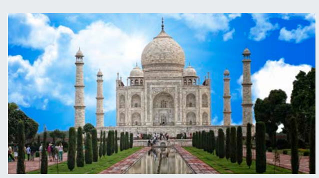
Barasch & Bansi | Page 4

IN THIS ISSUE ››

VIDEO
NOVEMBER EDITION HIGHLIGHTS



FOCUS ARTICLE
THE POWER OF TRANSFORMATION



FOCUS ARTICLE
EMERGING LEADERSHIP

COMMODITIES
OIL "COST CRUNCH"

For Important and Required Non-U.S. Analyst Disclosures, see page 25.

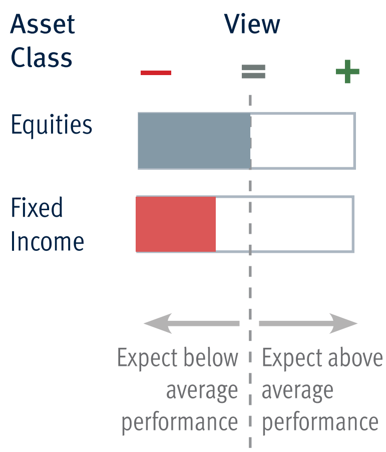
Table of Contents

All values in U.S. dollars and priced as of October 30, 2015, market close, EST, unless otherwise noted.

Global Asset
Class View

RBC's Investment Stance

Global Asset Views



See "Views Explanation" below for details

Source - RBC Wealth Management

Equities – Average Performance =

- True to form during bull markets, the recent equity correction was swift, and most markets rebounded nearly as fast. While developed markets could consolidate their recent gains over the near term, we remain constructive about the intermediate- and long-term prospects.
- We don't see a major downturn on the horizon for the global economy. Growth should shuffle along led by the U.S., most developed economies, and a handful of better-positioned emerging economies. China's economy will likely slow further. However, monetary and fiscal stimulus, combined with services sector growth, should help it avoid a hard landing.
- Valuations are below or near average for most markets, and earnings growth should persist in Europe and pick up moderately in the U.S. in 2016.

Fixed Income – Below-Average Performance –

- Global fixed income markets are laser-focused on monetary policy and the potential divergence that could soon develop with the Federal Reserve headed toward raising interest rates and the European Central Bank, among others, likely easing further. Prospects for a Fed rate hike in December increased following the slightly hawkish policy statement from the central bank's recent meeting.
- Regardless of when the first hike comes, we continue to believe the Fed is aiming to merely gradually wind down extraordinary monetary policies established during the financial crisis and normalize interest rates above the 0% level rather than tighten monetary conditions outright. We expect the Fed Funds rate to rise slowly and eventually crest at a lower level than in previous cycles.

Views Explanation

(+/=/–) represents the Global Portfolio Advisory Committee's (GPAC) view over a 12-month investment time horizon.

+ **Positive** implies the potential for better-than-average performance for the asset class or for the region relative to other asset classes or regions.

= **In-line** implies the potential for average performance for the asset class or for the region relative to other asset classes or regions.

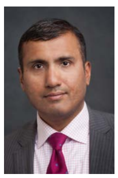
– **Negative** implies the potential for below-average performance for the asset class or for the region relative to other asset classes or regions.

Focus
Article

Changing of the Guard

The winds of change swept Justin Trudeau and the Liberal Party into power with a resounding victory. Specific details of Trudeau's promises of change are not likely to be unveiled until next spring, so we examine the key points of his ambitious campaign platform and show the impact they should have on Canada's ailing economy.

Matt Barasch
Toronto, Canada
matt.barasch@rbc.com



Rajan Bansi
Toronto, Canada
rajan.bansi@rbc.com

We believe the election platform of the Liberal government-elect is likely to have a net positive impact on the Canadian economy. While the incoming government is unlikely to table its first budget until spring 2016, there are key events on the horizon investors should be watching before that time. Prime Minister-elect Justin Trudeau's selection of his cabinet will be closely watched given his majority government has many first-time MPs on steep learning curves, some of whom will be enlisted to implement an ambitious platform. The Speech from the Throne, inaugurating Canada's 42nd Parliament, will likely occur before the end of the year and will outline the government's legislative agenda and priorities. The government's first budget will provide specific details on the cost of spending initiatives and changes in tax policy, but we believe some conclusions can be drawn at this point from the platform the Liberals campaigned on.

Liberal Platform

The key aspects of the Liberal election platform included:

- Significant infrastructure investment;
- Significant tax cuts for the middle class;
- Tax increases on high earners; and
- Federal deficits of approximately $10B per annum over the next few years.

RBC Global Asset Management expects these proposals will add 0.3%–0.5% per annum to growth over the next three years.

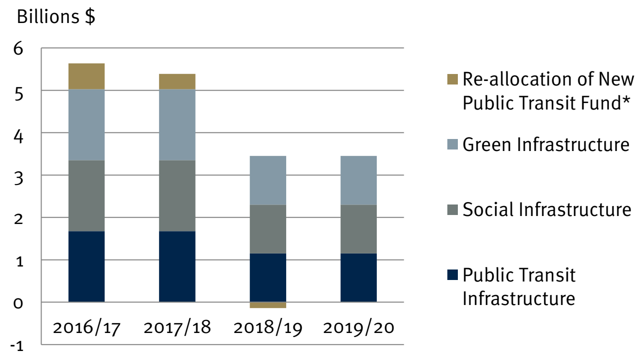
Infrastructure Investment

According to the Canadian Centre for Policy Alternatives, net infrastructure investment in Canada dropped from nearly 2% of GDP in the late 1950s to below zero in the late 1990s. And while this trend reversed in the past 15 years (rising to nearly 1% of GDP), Canada's infrastructure gap has been estimated at as much as $500B. Thus, any commitment by the Federal government to invest directly in infrastructure should be positive for the Canadian economy, in our view.

Many studies have shown that not only do investments in infrastructure tend to generate a higher return than do other Federal programs, they also tend to have a significant positive multiplier effect. That is, a dollar put in tends to generate more than a dollar of economic activity. Thus, all else equal, we believe GDP growth in Canada has the potential to be higher over the next several years than it would have been absent this investment.

All values in Canadian dollars for this article.

New Infrastructure Investment



* RBC Economics assumption
Source - Liberal Party Platform, RBC Economics Research

Some fiscal stimulus through a soft patch.

Tax Cuts

The Liberal election platform outlined a number of tax cuts that would impact those families with combined spousal incomes of less than $200,000 per annum, including a reduction in marginal tax rates and an increase in childcare benefits. Since those folks that the Liberals have targeted tend to spend a large percentage of their disposable income, the Canadian economy is likely to be positively impacted by these cuts.

Unlike infrastructure investment, there is unlikely to be a 1:1 or better impact as some of the reductions are likely to either be used to pay down debt or saved, but the estimated $2B–$3B of combined annual reductions should increase consumption for those income cohorts affected, which again would positively impact the Canadian economy.

Tax Increases

To finance the proposed tax cuts, its platform outlines a series of tax increases for families with combined spousal incomes of greater than $200,000 per annum. These proposals include: (1) a new marginal tax rate that kicks in for incomes above $200,000, (2) the elimination of childcare benefits, and (3) a reduction in maximum annual contributions to Tax-Free Savings Accounts. Since the families affected would presumably benefit from any reduction in the marginal tax rates on their first $200,000 of income, the threshold beyond which they would actually be paying more in tax would probably be somewhere between $250,000 and $300,000.

Economists generally agree that pushing marginal tax rates above the psychologically important 50% level (as they would now be in several provinces) often leads to lower tax collection than anticipated as it acts as a disincentive to work, and tax avoidance tends to increase. Furthermore, marginal tax rates above 50% also act as a deterrent to attracting foreign talent to the Canadian workforce as this talent will, in part, seek out those countries with the lowest tax rates.

Federal Deficits

While structural budget deficits of a significant magnitude are problematic, proposed deficits of $10B per annum for a few years in an economy the size of Canada are unlikely to be much of a problem, in our view. The proposed levels amount to about

0.5% of Canadian GDP. Given that we expect the economy to grow by about 2%–2.5%, Canada's debt-to-GDP ratio should continue to fall over the three years of deficits. However, we would caution that politicians often call deficits "temporary," but getting rid of them often proves much harder than forecast.

Potential Impact on Canadian Stocks, Bonds, and the Loonie

Stocks

We do not believe the Liberal victory will have much impact either way on the Canadian stock market. Historically speaking, the S&P/TSX has done better under Liberal governments; however, we chalk that up more to the vagaries of the global economy than to anything specific to Liberal policies versus Conservative ones. On the positive side, should growth in Canada increase versus prior baseline estimates, Canadian companies that are primarily domestically focused could benefit. The biggest risk for Canadian stocks would be anything that in some way slowed the flow of foreign funds into Canada. We do not see anything in the current platform that would potentially act in such a way and thus would maintain our overall neutral view toward Canadian stocks.

Should growth in Canada increase versus prior baseline estimates, Canadian companies that are primarily domestically focused could benefit.

Bonds

There could be some impact on the Canadian bond market from an increase in deficits and in overall economic growth. All else equal, higher deficits would increase the supply of bonds on the market, which would lead to lower prices and higher interest rates. However, given the modest size of the proposed deficits and what has been in recent years a seemingly insatiable appetite for yield, we would not expect any increase in rates to be acute. Stronger economic growth could be a bigger driver as it would likely give cover to the Bank of Canada (BoC) to begin unwinding some of the monetary stimulus that it has injected into the Canadian economy over the past year.

The Loonie

We do not expect the change in government to have a significant impact on the loonie. There are gives and takes in the Liberal platform. Stronger growth and less need for BoC rate cuts would be positive; however, a return to deficits would be expected to offset this and, thus, we maintain the view that the loonie is likely to continue to trade below fair value for some time to come.

Conclusion

We believe that the Liberal platform, should it remain roughly unaltered from its proposed form and should it be well executed, is likely to be a net positive for the Canadian economy. Increased investment in infrastructure, tax cuts for those making less than $200,000, and improved relations with the U.S. and aboriginal groups (not discussed in this report) should, all else equal, be viewed positively by Canadians and foreign investors alike. Conversely, higher tax rates for the wealthy could potentially subtract from the benefits of some of these proposals, especially as it pertains to lifting marginal tax rates above the psychologically important 50% level in some provinces.

The Power of Transformation

Fear of rising interest rates has given investors pause on electric utilities. While rates impact the group, we believe investors may be missing the bigger picture. Structural shifts underway in the industry position U.S. electric utilities for more durable dividend and earnings growth than in recent decades. That “pause” may, in fact, represent opportunity.

Janelle Nelson
Minneapolis, United States
janelle.nelson@rbc.com

Where Were You When the Lights Went Out?

On August 14, 2003, a 3,500 megawatt power surge created a domino effect, causing the second-widest blackout in North American history. More than 55 million people from New York to Toronto to Detroit lost power for almost two days. Police and public workers were on high alert, but most residents reacted with surprising calm. Municipalities and electric utilities used the episode as a call to arms to address aging and inefficient infrastructure.

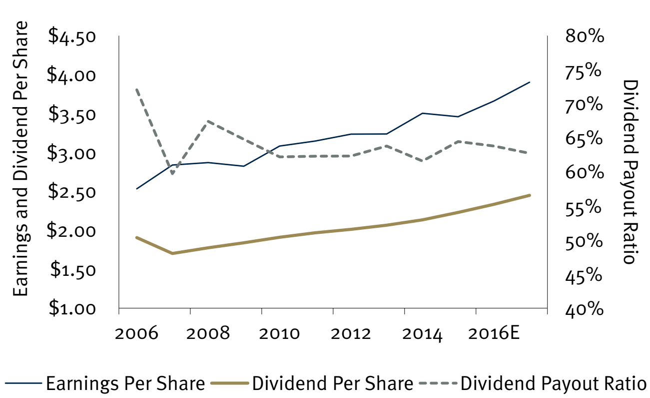
Change is the result of hard work, debate, and compromise. Infrastructure has been rebuilt and upgraded. More efficient power generation has been integrated into the power base. More recently, unprofitable capacity power auctions have been restructured to provide proper incentives. Finally, technological innovation is allowing renewables to become increasingly economic compared to traditional hydrocarbon sources.

We believe equity investors will benefit from these secular shifts. Utility revenue growth improvement should support stronger earnings and dividend growth than has been evident over the past 10–15 years.

Growth Potential Charging Up

As recently as two years ago, regulated electric utilities traded at a 35% premium to the S&P 500, according to RBC Capital Markets. Today they trade at a 2.6% premium

Regulated Utilities Hitting the Sweet Spot of Earnings & Dividend Growth



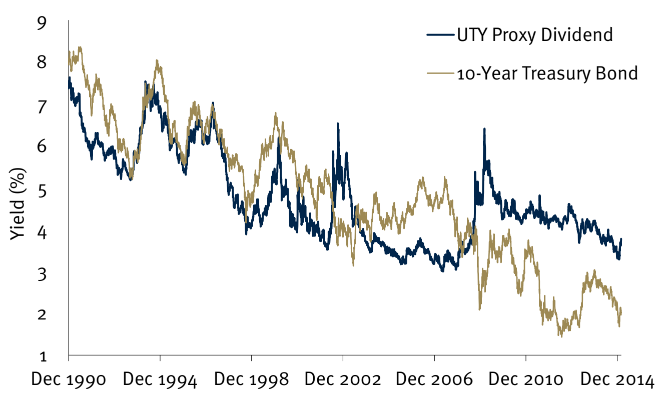
Source - Company reports, RBC Capital Markets estimates. Data is based on a weighted average of large-cap U.S.-based regulated electric utilities.

Stronger EPS growth combined with a return to normalized dividend payout ratios could result in faster dividend growth trends.

after a third-quarter rally. Investor preference for growth stocks and the fear of rising interest rates have driven the underperformance. But these issues have opened a window of opportunity for investors seeking above-average return potential with below-market risk.

We believe investors may miss key trends that support an improved growth outlook. Stronger utility asset base growth combined with sustainable return on equity (ROE) means stronger revenue growth. With good cost controls and management of that asset base, RBC Capital Markets sees 4%–6% EPS growth that could accelerate to 5%–7% should current trends persist. In addition, the sector has been less sensitive to moves in interest rates than in past cycles (see chart).

Debunking the Myth ...
Utilities Not Just Bond Equivalents Anymore



Source - ThomsonReuters, RBC Capital Markets

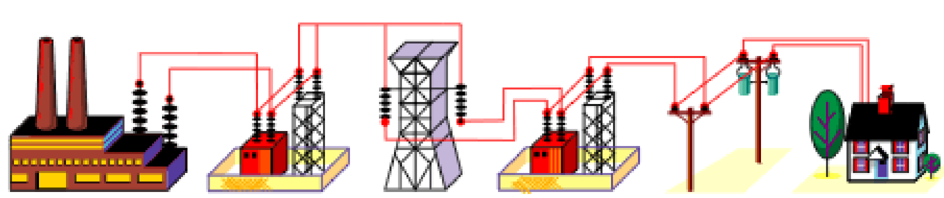
Fast and more durable growth than in past periods has made utilities less sensitive to interest rates.

We also believe dividends, which are already twice that of the broader market, could grow more quickly. The percentage of earnings paid to investors in the form of a dividend is at 63% versus the 35-year average of 74%, leaving room to accelerate dividend growth.

Thus, we view the opportunity as twofold. First, we see potential for capital appreciation because the group is trading below what we view as "fair value," due to better growth in assets and stable ROEs. Second, dividend growth could accelerate, rising to an average of 4%–4.5% from 3%–3.5%.

While utility growth may not be as high as other sectors (e.g., technology or biotechnology) it tends to be lower risk and more durable. The utilities sector is considered less risky than the market, carrying a "beta" of one-half to two-thirds that of the S&P 500.

How the System Works



Source - Edison Electric Institute

More Importantly … How Do Utilities Make Money?

Regional public utility commissions (PUCs) have regulatory oversight for utility operations. This includes investment and investor return requests made by the utility. Utilities make money based on approved customer rates. Serving as virtual monopolies in geographic regions, utilities invest in capital projects to support customers' needs. A basic formula is:

Total Revenue Requirement = Expenses + (Rate Base x ROE)

The "rate base" is the firm's capital assets minus accumulated depreciation. The allowed ROE helps ensure a reasonable level of profitability while expenses (fuel costs and support) are generally passed on to the consumer. Regulators set a utility's allowed ROE at a level that allows the company to attract and service the capital it needs to maintain the operational integrity of its utility assets and to expand generating capacity as needed.

The combination of defensiveness and above-average yield has made regulated electric utilities a steady partner in individual investor portfolios.

A "rate case" is submitted to the PUC to evaluate that the rate requested is reasonable and justified. Various regulatory mechanisms have been increasingly introduced to "tweak" this basic model, but in general, this formula applies. Rate cases in the current environment reflect significant increases in required capex, contributing to strong earnings growth potential.

Allowed ROEs are scrutinized by state PUCs. Despite a steady drop in long-term interest rates, ROEs have not declined as much as RBC Capital Markets expected. The primary drivers of this have been aging infrastructure and environmental mandates, which have necessitated a significant rise in rate case filings; spending hit $100B in 2014, up from $40B in 2005. RBC Capital Markets believes spending will moderate over the next few years to about $90B annually.

Need for Efficient and Reliable Infrastructure Drives Investment

Stringent state and federal environmental guidelines have forced the retirement of inefficient power generation. As recently as 2000, coal-fired power represented around 52% of total power generation. Today, it is closer to 39% and on trend to reach 34% by 2040, according to the Energy Information Administration. These trends, combined with government incentives, have also driven the integration of renewables into the power generation base.

Reduced carbon emissions could be the next catalyst favorable to renewables development. Hawaii passed a bill calling for 100% renewables by 2045. California's Governor Jerry Brown recently signed into law a bill calling for 50% renewables by 2030. Most states have taken measured approaches to integrating renewables, mindful of unintended costs.

In conclusion, the lasting impact of the 2003 blackout was not stories about where you were, but the resolve that cranked the wheels of the utility industry to meet the demands of the 21st century. The recent interest rate fears provide investors with a window of opportunity to do well and do good.

Focus Article

Emerging Leadership

India has been a source of good news amid this year's emerging market pain. Following years of false starts that failed to unlock India's huge economic potential the election of Narendra Modi in 2014 and his subsequent reforms have put the country on a bold new path. Can India eventually don the mantle of emerging market leader?

Farnaz Shahed
Toronto, Canada
farnaz.shahed@rbc.com

Jean-François Dion
Toronto, Canada
jean-francois.dion@rbc.com

The election of Prime Minister Narendra Modi in a landslide victory last year may have marked the beginning of an important new chapter for India. The Bharatiya Janata Party (BJP) won a majority in the lower house, a first in over 30 years. Modi is widely regarded as a solid, pro-business leader with an impressive track record.

A year later, encouraging signs are emerging. Economic growth appears to be accelerating when most other emerging economies are cooling, as the Modi government successfully advances its reform agenda. Meanwhile, lower oil prices have helped reduce inflation and India's current account deficit.

This focus article looks at the key initiatives and reforms proposed so far. While Modi's commitment to eliminate corruption and accelerate short-term growth is generally well appreciated, most of the benefits from proposed reforms will likely take years to materialize. India has the potential to lead emerging economies by generating strong, sustainable growth for years to come. But, there are risks to this story.

Background: Obvious Potential, but a Few False Starts

India benefits from a very large, young, and entrepreneurial working-age population. GDP per capita is less than 25% of China's, leaving plenty of room for catch-up. Yet over the past decade, the Indian economy has struggled to live up to this potential. The need for reform became increasingly evident as protectionism and bureaucracy held back growth.

India has experienced a fall in investments over the past few years. The lack of infrastructure has long presented a roadblock to stronger growth, yet many large-scale projects were cancelled as bureaucracy and corruption made permitting challenging.

The previous government introduced several worthwhile initiatives over the years, but rarely delivered as it faced several corruption scandals. Meanwhile, loose monetary policy from the Reserve Bank of India (RBI) combined with fiscal stimulus pushed inflation to uncomfortably high levels. The rupee fell precipitously, the Indian stock market retreated, foreign capital was withdrawn, and the country's fiscal and current account deficits widened considerably.

Introducing "Modinomics"

Modi's election victory was attributed to two major factors:

- **Strong Desire for Change:** The prior government, Indian National Congress (in an alliance with the United Progressive Alliance), was plagued by corruption and failed to deliver on many of its promises. The broad popular support for Modi in a country characterized by considerable diversity in religious practices reflects widespread frustration with the previous regime and strong desire for change.

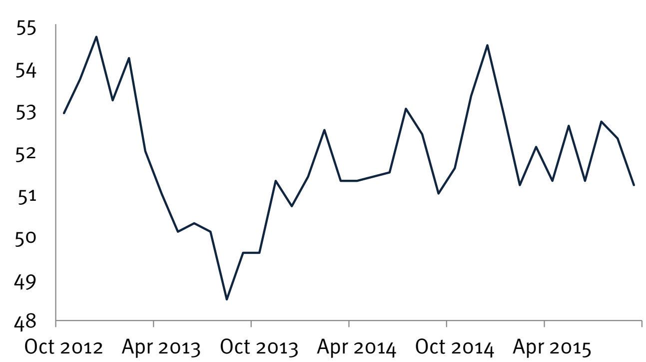
- **Modi's Proven Track Record:** Modi had been the chief minister of Gujarat, one of India's 26 states. Under his leadership, Gujarat experienced significant improvements in infrastructure, a boost in foreign investment, industrial expansion, and GDP growth twice that of the national average.

A Closer Look at Key Initiatives

Typically, when a country transitions from a low-income to middle-income economy, the industrial sector expands faster than the agricultural and services sectors. However, in India's case, the industrials sector's contribution to total GDP has been stagnant at about 15% for over three decades. Meanwhile, India's relatively high education standards and the widespread use of English led to stronger growth in the services sector, which has contributed significantly to GDP growth. Employment growth, however, has lagged given the services sector's lower labour intensity relative to the industrial sector. As the Indian economy continues to expand, the country will need to focus on the development of its industrial base in order to provide jobs for a fast-growing working-age population. Modi is pushing forward a number of initiatives to address the issue:

- **The "Make in India" Campaign:** This campaign was launched with the goal of positioning India as a manufacturing hub. The Delhi-Mumbai Industrial Corridor (DMIC) is slated for development as a global manufacturing and investment destination. The goal is to increase manufacturing's share of GDP to 25% from 15% by creating sustainable smart cities where manufacturing will be the key economic driver. This initiative should also have a positive ripple effect on the industrials, telecom, IT, retail, and health care sectors. The campaign looks to create 100 million new manufacturing jobs by 2022.

Manufacturing PMI: Liftoff



Source - RBC Dominion Securities, Bloomberg

Leading indicators remain supportive and indicative of the India growth story.

- **Simplification of Taxes for Foreign and Domestic Business Investments:** The 2015 budget cut the corporate tax rate to 25% from 30% over four years while eliminating some more targeted incentives.

- **The "Pradhan Mantri Jan-Dhan Yojana" (Prime Minister's People Money Scheme):** Only 35% of India's adult population held bank accounts at the end of 2013, while an even smaller percentage used banks for financial transactions on a regular basis. The

The Indian government committed $17B to the rollout of a national optical fibre network connecting 600 million people.

Jan-Dhan Yojana program has resulted in the opening of over 100 million new bank accounts so far. This, along with the national identity card campaign known as Adhaar launched by the earlier government, should prevent leakage of subsidies to ghost beneficiaries by allowing the dissemination of public subsidies only to those entitled to receive them.

- **Developing "Smart Cities":** Over the past decade, per-capita GDP grew four times faster in urban areas relative to rural India, where approximately 30% of the population still lives below the poverty line. As part of the smart cities initiative, 100 smart cities and satellite towns are expected to be built around existing cities over the next few decades, which should help accelerate rural to urban migration. For 2015, $1.2B in government funding has been allocated to this initiative, with a focus on completing the first three smart cities. They make extensive use of technology to avoid some of the problems residents of large cities often face due to poor planning and maintenance. The focus will be on transportation, IT, communication, infrastructure, health care, and education.
- **National Optical Fibre Network (NOFN):** In 2011, the Indian government committed $17B to the rollout of a national optical fibre network and the digitization of 250,000 villages, designed to accelerate the socioeconomic development of rural areas by connecting 600 million people.

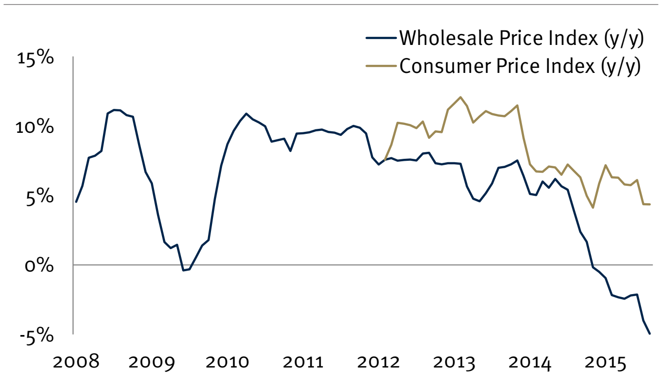
Strong New Leadership at the Reserve Bank of India

In September 2013, Raghuram Rajan became governor of the Reserve Bank of India (RBI). He was previously chief economic adviser to India's ministry of finance and also chief economist at the International Monetary Fund (IMF) from 2003 to 2007. He has promoted sustainable growth by tackling high inflation and driving real interest rates into positive territory. Rajan announced a number of measures to reduce volatility, improve investor confidence, and increase investment inflows as soon as he was nominated and appears to have successfully restored credibility, controlled inflation, and stabilized the rupee.

Inflationary Pressure Easing, Recent Rate Cut Should Fuel Growth

A positive real deposit interest rate (the difference between rates paid on deposits and the rate of inflation) is generally a positive economic driver. However, because of high inflation rates, India in the past struggled with deeply negative real rates.

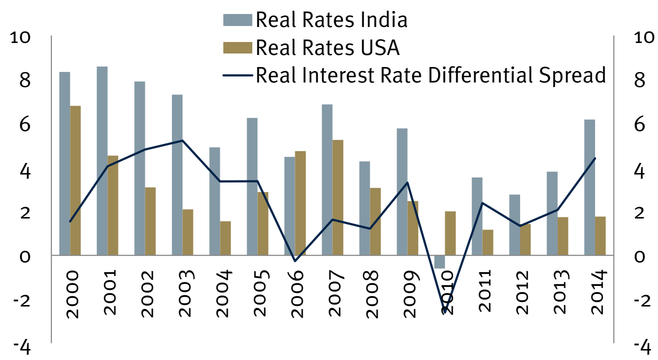
Indian Inflation



Source - RBC Dominion Securities, Bloomberg

India inflation has declined rapidly and appears well-contained.

Interest Rate Differential Spread



Source - RBC Dominion Securities, Bloomberg

A positive interest rate differential spread buffers emerging market economies such as India from U.S. rate hikes.

More recently, the key drivers of inflation—rural wage growth, government spending, and global commodity prices—have rapidly moved in the right direction allowing the emergence of positive real rates across the board. Real deposit rates have been positive since January 2014, and currently stand at about 3.5%.

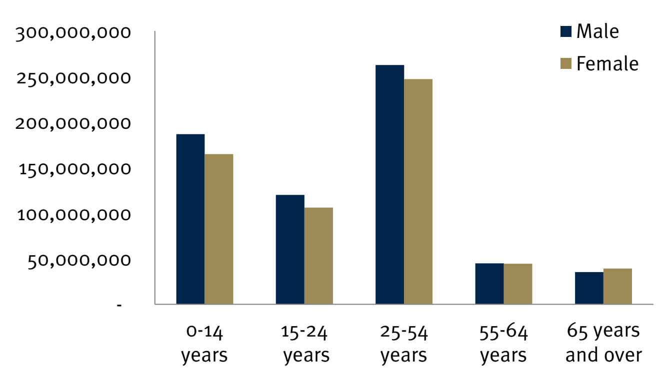
Falling oil prices (oil accounts for one-third of India's imports) helped contain inflation and allowed Rajan to cut repo rates by 125 basis points to 6.75%. Fuel subsidies for households and a large import bill mean that a decline in oil prices reduces the trade and fiscal deficits for the country. The decline in rates should help support domestic demand and GDP growth.

Longer-Term Growth Potential

Indian GDP has grown at 7.6% per annum over the past decade. The new government's focus on tackling infrastructure bottlenecks, accelerating urbanization, and invigorating the manufacturing sector could potentially push growth closer to double digits.

India's population is comparable to China's (1.25 billion vs. 1.35 billion), yet GDP per capita is only $1,500 compared to China's $6,800. India's demographics are particularly encouraging, as more than 50% of the country's population is under the age of 25 and two-thirds is under 35. By 2020, the average age in India is expected to be 29 years compared to 37 for China (see below chart).

India's Population



Source - RBC Dominion Securities, CIA World Factbook

India will soon surpass China as the most populous country in the world with the benefit of a relatively younger working-age population.

India's Sensex Index has rallied almost 30% over the past two years.

Key Risks

Political Stability: BJP is a one-man show and, while the Prime Minister has surrounded himself with individuals who helped him build Gujarat into a progressive state, quite a bit rests on Modi's shoulders and on his ability to deliver. While BJP is in a fairly comfortable position now, as opposition parties appear to be floundering, their re-emergence over the next four years cannot be ruled out, in our view.

Rebound in Oil Prices: Low fuel prices have helped solve India's inflation and deficit problems. A stronger-than-expected rebound in oil prices could represent a headwind.

U.S. Monetary Policy: All else equal, lower rates in the U.S. are better for capital flows into India. India's aforementioned positive real rate of interest (currently about 3.5%) offers an attractive alternative in a world that is generally plagued by low rates. While the current level of real rates in India offers a buffer against U.S. rate hikes, capital flows to India could begin to slow should U.S. rates rise sharply in the coming years.

An Investment Story With "Legs"

The stars may have aligned for India. The combination of a pro-business prime minister pushing for structural reform, an RBI governor keen on fostering pro-growth policies, and lower oil prices should help unleash some of the country's enormous economic potential. In a fast-growing economy, there is a tendency to take greater risks and amass debt. However, at this juncture, we believe that the benefits of increased investment in the country outweigh the risks.

It may take some time for the proposed reforms to yield the expected acceleration in economic growth and, ultimately, stronger earnings growth for Indian companies. India's Sensex Index has rallied almost 30% over the past two years, pushing valuation to just over 17 times consensus forward earnings. Valuations still seem reasonable given what we believe is a multiyear opportunity ahead, yet patience is likely to be required and the political situation should be monitored closely.

Rally

All the major equity markets rallied off their distressed summer lows. The S&P 500 put in the most energetic performance, finishing October not far below its all-time high set in May. The commodity-heavy indexes—Canada's TSX and the FTSE All-Share—produced the most anemic response, recovering less than 50% of the ground lost in the spring/summer swoon.

Our long-term outlook has not changed. The economic expansion in the U.S. and most other developed economies is intact and will remain so until credit conditions become much tighter than they are today. In our view, that lies some considerable time off, perhaps years. With earnings forecast to grow and stocks reasonably priced in relation to those earnings in the U.S. (attractively in most other markets), we expect the long-term uptrend in share prices, in place since the financial crisis lows of 2009, will reassert itself in the coming months.

However, for now, global equity markets remain in correction/consolidation mode. Tax-loss selling may be a factor in the final weeks of the year. That said, as 2016 progresses, we expect investors will have growing conviction that:

- Some stability has returned to the energy complex, permitting a more-confident recalibration of earnings power and values in this important market segment;
- Global growth prospects are improving as concerns about a possible hard landing for the Chinese economy diminish; and
- The expansion in developed economies is sustainable and has further to run underpinned by constructive monetary policies.

Equity Views

Region	Current
Global	=
United States	=
Canada	=
Continental Europe	=
United Kingdom	–
Asia (ex-Japan)	=
Japan	+

Source - RBC Wealth Management; see "Views Explanation" on page 3 for details.

We expect global equities to deliver all-in positive returns over the coming 12–18 months.

Regional Highlights

United States

- The S&P 500 rebounded 8.3% in October as fears about China diminished and commodity prices attempted to carve out a bottom. Since the August correction low, technology and energy have led the market, while industrials and consumer stocks have also performed well.
- Health care has lagged as the issue of drug price controls has caught the attention of some presidential candidates and the press. We view the biotech and pharma industries as well positioned for the next three to five years, but the drug pricing issue could hold back share prices and compress valuations further in the run-up to the 2016 election.
- The wide gap between S&P 500 earnings and revenue growth persists. While more companies have outpaced earnings expectations than usual in Q3, far fewer have exceeded revenue targets. Excluding

Jim Allworth
Vancouver, Canada
jim.allworth@rbc.com

Kelly Bogdanov
San Francisco, United States
kelly.bogdanov@rbc.com

Jean-François Dion
Toronto, Canada
jean-francois.dion@rbc.com

Frédérique Carrier
London, United Kingdom
frederique.carrier@rbc.com

Jay Roberts
Hong Kong, China
jay.roberts@rbc.com

the much-beleaguered energy sector, which could see earnings tumble more than 60% y/y, S&P 500 earnings are on track to rise 6%–7% y/y in Q3—not so bad. However, ex-energy revenues may only grow by an anemic 1.5%–2%.

- In this challenging environment, we continue to favor domestically oriented companies, growth stocks, and dividend growers.

Canada

- A muted growth outlook combined with a challenging environment for key commodities creates a difficult backdrop for Canadian equities.

- Bank shares, up from recent lows, trade at valuations that seem undemanding relative to historical ranges. Concern over slowing loan growth, pressure on net interest margins, and the risk of increasing credit losses remain key challenges. So far, life insurance companies have successfully navigated the recent turbulence in equity and credit markets. We continue to recommend a market weight position in Canadian financials, balancing attractive valuations with a challenging near-term outlook.

- We see opportunities in some of the high-quality names in the Canadian industrials sector. The surprise Liberal Party majority in the federal election came with a pledge to double infrastructure investments over the next decade. The additional spending should create a tailwind for some infrastructure, construction, and engineering companies and may have a noticeable medium-term impact on economic growth in some regions, in our opinion.

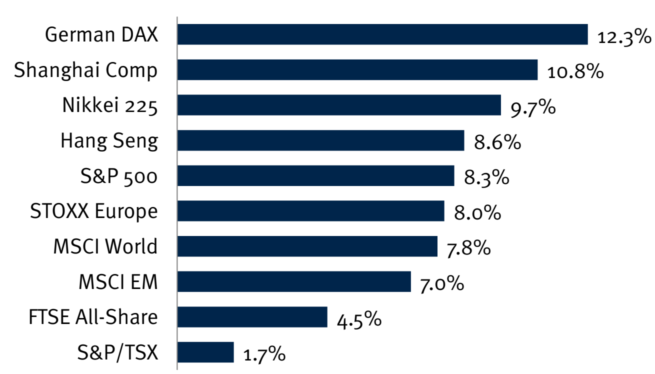
- While the energy sector enjoyed a small rally in October on the back of M&A activity and short covering, crude oil prices remain at depressed levels on concern over persistent oversupply. We see interesting long-term value in some of the well-capitalized, high-quality names, but advocate a nimble and prudent approach to investing in the sector.

- Overall, we remain market weight with a negative bias for Canadian equities.

Continental Europe & U.K.

- With the start of earnings season, we are looking for clues concerning the effect of China's slowdown on earnings. With global growth expectations scaled back, forecasts in Europe (including the U.K.) have been trimmed recently, with expectations for the energy and materials sectors, in the U.K. in particular, continuing to decline. The consensus expectation is -3.9%

October Performance of Major Equity Markets and Indexes



Source - RBC Wealth Management, Bloomberg

Germany led the way followed by Asia. Canada's TSX lagged due to heavy commodity exposure.

y/y growth for the quarter. We would expect domestic companies' earnings to show more resilience. Earnings for 2016 are expected to bounce and be up 9% in Europe and 6% in the U.K., according to consensus estimates.

- European Central Bank President Mario Draghi's comments regarding the possibility of additional monetary stimulus in December helped weaken the euro. This weakness would be a welcome respite for exporters who have struggled with a strengthening euro since the spring. It could also boost investor sentiment in the short term. The flattening of the yield curve is of concern for financial companies, some of which could struggle to meet dividend expectations. We continue to like the pharmaceuticals sector, though we follow with interest the pricing debate in the U.S. We also see opportunities in the consumer discretionary and the telecoms sectors wherein regulatory fears are overdone, in our view.

Asia

- Asian equities continue to recover from the steep correction over the summer. The MSCI AC Asia Pacific ex-Japan Index has risen over 10% from its low in September and is down 3% in 2015. Price movements in mainland Chinese stocks have been relatively stable. Last month, the Shanghai Composite posted its first positive month since its dramatic correction.

- We downgraded our outlook for Asia ex-Japan equities to neutral in September, largely due to events in Chinese markets. However, we continue to note that a number of Asian equity markets are trading at low valuations even after the recent rally.

- Chinese authorities released a brief and general statement regarding the development of its 13th five-year plan. The government targets "medium-high growth" over the next five years with an aim to double GDP and per-capita income from the 2010 level by 2020. On October 23, Premier Li Keqiang said that China would need to achieve annual growth of 6.5% to reach the target. We expect a full version of the proposal to be published shortly and final approval in the spring.

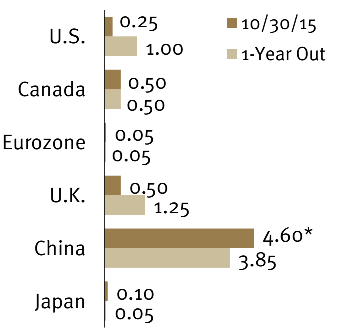
- The Bank of Japan (BoJ) left monetary policy unchanged in October. Under the current program, the BoJ is purchasing approximately ¥80T ($660B) in assets per year. Even so, RBC Capital Markets forecasts the yen to decline versus the dollar into 2016, noting that further monetary policy expansion is not a necessary condition for further weakness in the currency.

- The Japanese authorities continue their battle to maintain inflation, which has been impacted by low commodity prices. The BoJ cut its forecasts for core inflation (which includes energy and excludes fresh food) for this fiscal year (ending in March) to 0.1% from 0.7%, and next fiscal year to 1.4% from 1.9%. The bank also pushed back its forecast for when its 2% inflation goal will be achieved. Excluding energy, the inflation data is more encouraging: prices rose by 0.9% in September (August: 0.8%).

- Sustaining price increases is a critical part of our thesis for Japanese equities. We maintain our positive stance. The TOPIX Index is up 10.7% in 2015, but saw a significant correction in August and September, falling over 18%. It remains 8% below its August high.

LOWER FOR (NOT MUCH) LONGER?

Central Bank Rate (%)



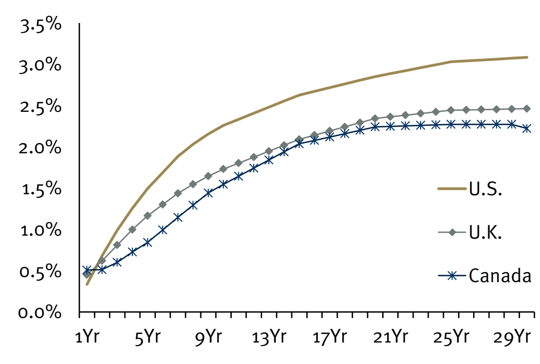
*1-yr base lending rate for working capital, PBoC
Source - RBC Investment Strategy Committee, RBC Capital Markets, Global Portfolio Advisory Committee (GPAC), Consensus Economics

An interest rate hike by the Federal Reserve in 2015 is still under consideration despite the central bank passing on the chance to raise rates at its October policy meeting. The Fed explicitly placed a potential rate hike at its December policy meeting on the table but indicated its decision will be data dependent. In addition to labor market data, the Fed will be looking for evidence that inflation, which remains stubbornly low, has firmed closer to its target of 2% ahead of its policy meetings on December 15–16.

The Bank of Canada chose to hold its benchmark interest rate unchanged at 0.5% in October. Recent economic data has been uneven, suggesting that the benefit of two interest rate cuts earlier in the year continues to work through the economy. The preferred share market still appears attractive for long-term investors after capitulation selling sent the market to an all-time low on October 14. While a recent 10% bounce from these lows is likely to suffer a pullback of some magnitude given the rapidity of the move, valuations remain compelling.

European Central Bank (ECB) President Mario Draghi indicated in October that additional monetary stimulus could be forthcoming at the ECB's December policy meeting. Draghi's hint of further stimulus fuelled a rally in corporate bonds that is likely to continue should economic data confirm further policy support is warranted.

Sovereign Yield Curves



Source - Bloomberg

REGIONAL HIGHLIGHTS

UNITED STATES

- The Fed managed to get the markets back onside at the October FOMC meeting by stating explicitly that it is now assessing incoming economic data in order to make a decision on a potential rate hike "at its next meeting"—to take place in December. Despite the explicit guidance, the market is still only pricing 50/50 odds, with the burden back on better data to get the market closer to 100% by then. We think the bar for the Fed will simply be some stability in labor markets after the recent soft patch without a tightening of broad financial conditions that caused the pause in September.
- Investment-grade corporate bond spreads ended October tighter for just the second time this year as attractive valuations, modest stabilization in oil prices, and a decline in broader market volatility eased investor concerns.
- Corporate bonds have underperformed Treasuries for the last two quarters, but we see scope

RAJAN BANSI
Toronto, Canada
rajan.bansi@rbc.com

TOM GARRETSON
Minneapolis, United States
tom.garretson@rbc.com
RBC Capital Markets, LLC

ALANA AWAD
Toronto, Canada
alana.awad@rbc.com

CHRISTOPHER GIRDLER
London, United Kingdom
christopher.girdler@rbc.com

for a return to outperformance as 2015 comes to a close with the Fed's stamp of approval on the economy likely to be favorable for credit markets.

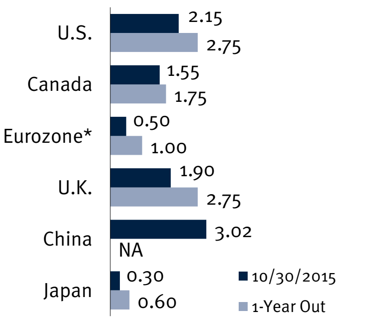
Canada

- On October 21, the Bank of Canada (BoC) held the overnight target rate at 0.50%. The BoC is expected to take its time adjusting policy as inflation, economic growth, and employment are improving, but at a slower pace than the BoC would like. Investors can use this to add duration with 5–8 year maturity bonds as interest rates are expected to remain lower for longer.
- The Canadian preferred share market rallied roughly 10% after hitting its all-time low on October 14. Much of this move has been driven by technical factors such as inflows into ETFs and index rebalancing. An improvement in investors' reaction to new issuance will likely be required for this rally to remain intact. Recently, new issues have not been well received by the market and have driven the prices of existing issues lower.

Continental Europe & U.K.

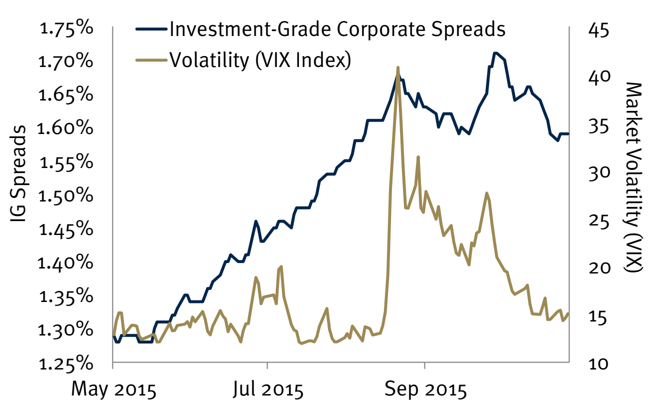
- Without formally announcing an increase in its quantitative easing program last month, the ECB continues to provide dovish rhetoric and effectively left the door open for such an increase as well as potentially moving the deposit rate further into negative territory by year-end. We think expectations for further ECB intervention should be the catalyst to keep a lid on German yields and periphery spreads at or around the levels reached last month.
- We believe the Gilt market is likely to continue trading in line with U.S. Treasuries. Domestic data continues to improve, but with U.K. inflation well below target, we do not believe the Bank of England will look to hike rates anytime soon.
- Increased risk appetite has driven corporate bond spreads tighter on relatively little issuer news. The recent volatility of spreads is a concern, but we view market-wide moves as opportunities for those issuers in which fundamentals remain strong. Coming out of earnings season, we expect issuance to pick up, which could limit further tightening of spreads into year-end.

10-Year Rate (%)



*Eurozone utilizes German bunds.
Source - RBC Investment Strategy Committee, RBC Capital Markets, GPAC

Dissipating Volatility Drives U.S. Corporate Spreads Tighter



Source - RBC Wealth Management, Bloomberg, Barclays

U.S. corporate spreads have tightened to the lowest levels since August as market volatility has moderated.

Oil "Cost Crunch"

Commodity Forecasts

	2015E	2016E
Oil (WTI $/bbl)	50.50	57.00
Natural Gas ($/mmBtu)	2.78	3.25
Gold ($/oz)	1,165	1,200
Copper ($/lb)	2.45	2.50
Corn ($/bu)	3.95*	4.10
Wheat ($/bu)	4.95*	5.10

*Q4 2015 forecasts
Source - RBC Capital Markets forecasts (oil, natural gas, gold, and copper), Bloomberg consensus forecasts (corn and wheat)

After several years of rapid production growth, U.S. shale oil has become a key technology-driven disruptor of the global oil industry. With OPEC flooding the market, shale oil has become the new de facto global swing producer because of the relatively short investment period to first production, steep well declines, and its relatively high cost nature.

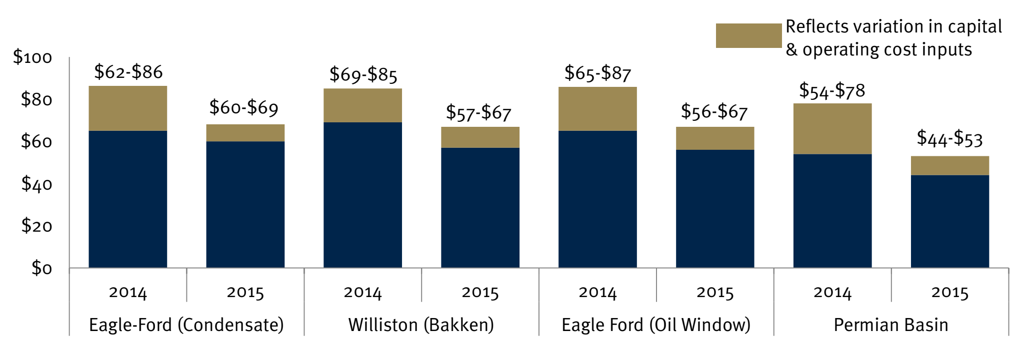
As a lower-for-longer scenario for oil plays out, the industry is, by necessity, becoming more efficient. The pressure on producer profit margins has been pushed down to the drilling and completions service providers, with 20%–30% reductions broadly experienced throughout the industry. As a result of this pressure, the break-even costs for U.S. shale oil have moved markedly lower, which is shifting an important component of the industry cost curve downward.

In the currently oversupplied market, oil prices have settled into a rough range of $40–$60/bbl this year. Prices in this range are just low enough to discourage continued shale oil investment in many regions because it is not economically viable. This outcome for prices is not unreasonable so long as the prevailing outlook remains for the industry to be oversupplied for the foreseeable future.

In the longer term, the focus on efficiencies today may have a lasting effect even if the energy services market becomes more balanced or indeed tight. Furthermore, ongoing experimentation with the number of frac stages per well, fluid chemistry, quantity, and type of proppant (e.g., sand) is a secular trend towards lower cost production. The net impact of these two factors is a likely permanent shift lower in the marginal cost of production for a key source of global supply. Shifting the cost curve lower in this fashion is likely to reduce the equilibrium range of oil prices even during periods of more balanced future market conditions.

An approximate range of $75–$100/bbl prevailed for five years leading up to the recent price collapse. With the current view of marginal supply costs for this new swing producer, we could reasonably expect oil prices to remain in a more subdued range of $55–$75/bbl in balanced market conditions, with the potential for spikes on supply disruptions or military action and price lulls during periods of oversupply.

U.S. Shale Oil Break-Even Supply Cost Estimates



Source - RBC Capital Markets

Mark Allen
Toronto, Canada
mark.d.allen@rbc.com

Currencies

Currency Forecasts

Currency Pair	Current Rate	Forecast Dec 2016	Change*
USD Index	96.95	93.61	-3%
CAD/USD	0.76	0.77	1%
USD/CAD	1.31	1.30	-1%
EUR/USD	1.10	1.15	5%
GBP/USD	1.54	1.67	8%
USD/CHF	0.99	0.99	0%
USD/JPY	120.62	123.00	2%
AUD/USD	0.71	0.67	-6%
NZD/USD	0.68	0.58	-15%
EUR/JPY	132.75	141.45	7%
EUR/GBP	0.71	0.69	-3%
EUR/CHF	1.09	1.14	4%
Emerging Currencies			
USD/CNY	6.32	6.95	10%
USD/INR	65.27	71.00	9%
USD/SGD	1.40	1.60	14%
USD/TRY	2.92	3.10	6%
USD/PLN	3.86	3.48	-10%
USD/MXN	16.50	16.00	-3%
USD/BRL	3.86	4.30	11%

* Defined as the implied appreciation or depreciation of the first currency in the pair quote. Examples of how to interpret data found in the Market Scorecard.
Source - RBC Capital Markets, Bloomberg

U.S. Dollar

- Historically, on average, the dollar has rallied ahead of the first Fed rate hike and has sold off thereafter. We remain positive on the dollar at least through this first hike, and note that the U.S. economy has less sensitivity to currency strength than its peers.

Euro

- October's European Central Bank meeting underscored the urgency to fight eurozone deflation and to ensure the euro is kept from strengthening beyond its recent ranges.
- We now expect a 20 basis point cut to the deposit rate to -0.4% in December, as well as an extension to the quantitative easing program. This should keep a lid on the euro over the near term.

Canadian Dollar

- As expected, the Bank of Canada sounded a dovish tone at its October meeting. It pushed forward by a quarter its timeline for the economy to return to full potential, now forecast for the middle of 2017.
- Consequently, we believe any interest rate hikes are off the table for the foreseeable future, and we expect the loonie to continue its weakening trend until energy prices rebound, possibly in 2016.

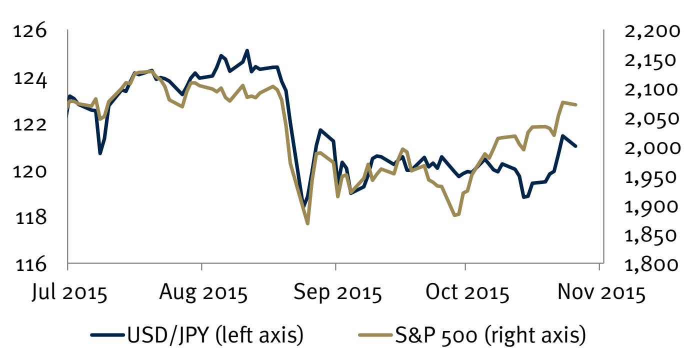
British Pound

- We remain bullish on sterling given the robust labor market and overall economy in the U.K. This appears to be a consensus view and, as such, the pound has struggled during periods of global risk-off behavior. Concerns over the potential for an exit from the European Union have compounded this weakness.
- Ultimately, we expect the U.K. to raise rates within a few quarters of the first Fed hike. This should provide a tailwind to the currency that should eclipse these concerns.

Japanese Yen

- The yen has behaved as a safe-haven currency over the last few months (see chart). Consequently, investors have trimmed their short positions in the currency recently.
- We believe this sets the yen up for a renewed period of weakness as positioning is now more-evenly balanced. The likelihood of further monetary stimulus and continued outflows of investment funds from Japan should pressure the yen through the middle of 2016.

Continued Strength in Global Equities May Weaken the Yen



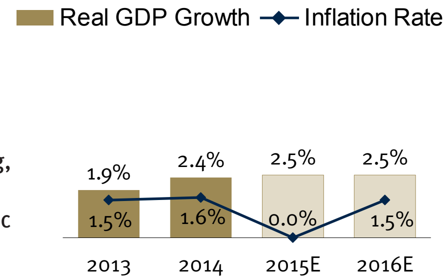
Source - RBC Wealth Management, Thomson Reuters

Global equity market volatility has supported the yen. This may reverse if stocks rally into year end.

Alan Robinson
Seattle, United States
alan.robinson@rbc.com

Key Forecasts

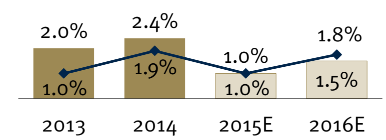
United States — Solid Growth



- Q3 growth slowed to 1.5% mostly due to inventory drag. Private sector domestic demand up by 3.3% y/y. Home sales, permits, near 8-year high. Unemployment claims at 40-year low. Consumer incomes and spending, construction activity, and capex growing. Leading indicators, confidence point to continued solid domestic growth.

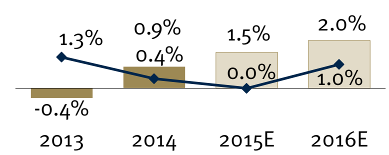
Canada — In Transition

- Q3 likely first quarter of positive growth in 2015. House construction firm, business capex (mostly energy) and government weak. Consumer attitude restrained by resource sector job loss.
- Mfg. sales ex-petroleum products growing consistently, led by autos. Energy capex plans down sharply. Loonie weakness helping services, tourism, and now mfg.



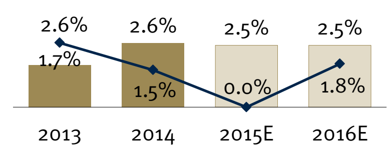
Eurozone — Improving

- Q2 was 9th successive quarter of positive growth. Spain has reported solid a Q3, its 10th positive result running. France picking up, Italy improving. Private sector lending up year over year for 8 mos. running after almost 3-year decline.
- PMIs consistently solid, driven increasingly by domestic demand. Refugee crisis could weigh on consumer sentiment. Inventories may drag on final quarter.



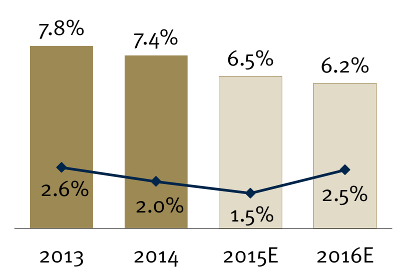
United Kingdom — Growing

- Q3 GDP growth rate eased to up 2.3% y/y. Led by large services sector, trade. Construction, industrial production weaker. Oil sector subtracted from growth. Employment and income growth strong. PMIs and new orders positive but off best levels.
- Growth pace sustainable for 2015, but uncertainty around EU membership referendum may weigh on business investment/confidence.



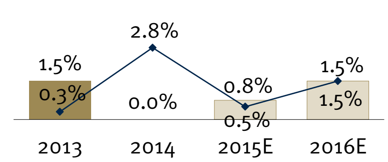
China — Slowing

- Q2 GDP at 7.0% in line with gov't full-year target, but internals are mixed/weaker. Fixed asset investment slowing, as is loan growth. Manufacturing PMI improved in August but still in contraction territory, exports growing. Employment, wages growing, consumer confidence improving.
- Government has cut rates six times, more could come. Some firming in house prices.



Japan — Conflicted

- GDP growth sagged in Q2, but up year over year. Leading indicators softer, PMIs, corporate earnings, and business confidence firm.
- Employment, wages growing, consumer confident, spending mixed. Weak oil prices putting inflation targets in jeopardy.



Source - RBC Investment Strategy Committee, RBC Capital Markets, GPAC

Market Scorecard

Index (local currency)	Level	1 Month	YTD	12 Months
S&P 500	2,079.36	8.3%	1.0%	3.0%
Dow Industrials (DJIA)	17,663.54	8.5%	-0.9%	1.6%
NASDAQ	5,053.75	9.4%	6.7%	9.1%
Russell 2000	1,161.86	5.6%	-3.6%	-1.0%
S&P/TSX Comp	13,529.17	1.7%	-7.5%	-7.4%
FTSE All-Share	3,484.60	4.5%	-1.4%	-0.5%
STOXX Europe 600	375.47	8.0%	9.6%	11.5%
German DAX	10,850.14	12.3%	10.7%	16.3%
Hang Seng	22,640.04	8.6%	-4.1%	-5.7%
Shanghai Comp	3,382.56	10.8%	4.6%	39.8%
Nikkei 225	19,083.10	9.7%	9.4%	16.3%
India Sensex	26,656.83	1.9%	-3.1%	-4.3%
Singapore Straits Times	2,998.35	7.4%	-10.9%	-8.4%
Brazil Ibovespa	45,868.82	1.8%	-8.3%	-16.0%
Mexican Bolsa IPC	44,542.76	4.5%	3.2%	-1.1%
Bond Yields	**10/30/15**	**12/31/14**	**10/31/14**	**12-mo. Chg**
US 2-Yr Tsy	0.724%	0.629%	0.491%	0.23%
US 10-Yr Tsy	2.142%	2.037%	2.335%	-0.19%
Canada 2-Yr	0.576%	0.519%	1.023%	-0.45%
Canada 10-Yr	1.542%	1.432%	2.048%	-0.51%
UK 2-Yr	0.626%	0.563%	0.655%	-0.03%
UK 10-Yr	1.922%	1.762%	2.247%	-0.33%
Germany 2-Yr	-0.315%	-0.252%	-0.056%	-0.26%
Germany 10-Yr	0.517%	0.587%	0.841%	-0.32%
Commodities (USD)	**Price**	**1 Month**	**YTD**	**12 Months**
Gold (spot $/oz)	1,142.16	2.4%	-3.6%	-2.7%
Silver (spot $/oz)	15.55	7.1%	-1.0%	-3.8%
Copper ($/metric ton)	5,129.50	-0.9%	-19.4%	-24.1%
Uranium ($/lb)	36.50	0.0%	-8.8%	0.0%
Oil (WTI spot/bbl)	46.59	3.3%	-12.5%	-42.2%
Oil (Brent spot/bbl)	49.56	2.5%	-13.6%	-42.3%
Natural Gas ($/mmBtu)	2.32	-8.0%	-19.7%	-40.1%
Agriculture Index	295.23	1.6%	-8.4%	-7.4%
Currencies	**Rate**	**1 Month**	**YTD**	**12 Months**
US Dollar Index	96.95	0.6%	7.4%	11.5%
CAD/USD	0.76	1.8%	-11.1%	-13.8%
USD/CAD	1.31	-1.8%	12.6%	16.1%
EUR/USD	1.10	-1.5%	-9.0%	-12.1%
GBP/USD	1.54	2.0%	-1.0%	-3.5%
AUD/USD	0.71	1.7%	-12.7%	-18.9%
USD/CHF	0.99	1.5%	-0.6%	2.6%
USD/JPY	120.62	0.6%	0.7%	7.4%
EUR/JPY	132.75	-0.9%	-8.4%	-5.6%
EUR/GBP	0.71	-3.5%	-8.1%	-8.9%
EUR/CHF	1.09	-0.1%	-9.6%	-9.8%
USD/SGD	1.40	-1.5%	5.7%	9.0%
USD/CNY	6.32	-0.6%	1.8%	3.3%
USD/BRL	3.86	-2.3%	45.1%	55.6%

Germany led the global equity rally in October as fears about China and global growth receded. It also leads year to date.

Treasury yields rose across the yield curve, more so at the short end.

Crude oil bounced modestly following steep losses in September.

Strong correlation with oil price.

Diverging economies favor GBP.

Equity returns do not include dividends, except for the German DAX. Equity performance and bond yields in local currencies. U.S. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing. Examples of how to interpret currency data: CAD/USD 0.76 means 1 Canadian dollar will buy 0.76 U.S. dollar. CAD/USD -13.8% return means the Canadian dollar has fallen 13.8% vs. the U.S. dollar during the past 12 months. USD/JPY 120.62 means 1 U.S. dollar will buy 120.62 yen. USD/JPY 7.4% return means the U.S. dollar has risen 7.4% vs. the yen during the past 12 months.

Source - RBC Wealth Management, RBC Capital Markets, Bloomberg; data through 10/30/15.

Research Resources

This document is produced by the Global Portfolio Advisory Committee within RBC Wealth Management's Portfolio Advisory Group. The RBC Wealth Management Portfolio Advisory Group provides support related to asset allocation and portfolio construction for the firm's Investment Advisors / Financial Advisors who are engaged in assembling portfolios incorporating individual marketable securities. The Committee leverages the broad market outlook as developed by the RBC Investment Strategy Committee, providing additional tactical and thematic support utilizing research from the RBC Investment Strategy Committee, RBC Capital Markets, and third-party resources.

Global Portfolio Advisory Committee members:
Jim Allworth – Co-chair; Investment Strategist, RBC Dominion Securities Inc.

Rajan Bansi – Co-chair; Head of Fixed Income Strategies, RBC Wealth Management Portfolio Advisory Group, RBC Dominion Securities Inc.

Maarten Jansen – Head, Investments & Trading, RBC Wealth Management Global Wealth Services Group, RBC Dominion Securities Inc.

Mark Allen – Portfolio Advisor, RBC Wealth Management Portfolio Advisory Group, RBC Dominion Securities Inc.

Matt Barasch – Head of Canadian Equities, RBC Wealth Management Portfolio Advisory Group, RBC Dominion Securities Inc.

Craig Bishop – Lead Strategist, U.S. Fixed Income Strategies Group, RBC Wealth Management Portfolio Advisory Group, RBC Capital Markets, LLC

Kelly Bogdanov – Portfolio Analyst, RBC Wealth Management Portfolio Advisory Group, RBC Capital Markets, LLC

Frédérique Carrier – Director, European Equities, Royal Bank of Canada Investment Management (U.K.) Ltd.

Janet Engels – Head of U.S. Equities, RBC Wealth Management Portfolio Advisory Group, RBC Capital Markets, LLC

Alan Robinson – Portfolio Advisor, RBC Wealth Management Portfolio Advisory Group, RBC Capital Markets, LLC

Jay Roberts – Head of Equity Advisory, Wealth Management Hong Kong, RBC Dominion Securities Inc.

The RBC Investment Strategy Committee (RISC), consists of senior investment professionals drawn from individual, client-focused business units within RBC, including the Portfolio Advisory Group. The RBC Investment Strategy Committee builds a broad global investment outlook and develops specific guidelines that can be used to manage portfolios. RISC is chaired by Daniel Chornous, CFA, Chief Investment Officer of RBC Global Asset Management Inc.

Required Disclosures

Analyst Certification
All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Important Disclosures

In the U.S., RBC Wealth Management operates as a division of RBC Capital Markets, LLC. In Canada, RBC Wealth Management includes, without limitation, RBC Dominion Securities Inc., which is a foreign affiliate of RBC Capital Markets, LLC. This report has been prepared by RBC Capital Markets, LLC which is an indirect wholly-owned subsidiary of the Royal Bank of Canada and, as such, is a related issuer of Royal Bank of Canada.

Non-U.S. Analyst Disclosure: Mark Allen, Jim Allworth, Alana Awad, Rajan Bansi, Matt Barasch, Jean-François Dion, Farnaz Shahed, and Jay Roberts, employees of RBC Wealth Management USA's foreign affiliate RBC Dominion Securities Inc.; and Frédérique Carrier, Davide Boglietti, and Christopher Girdler, employees of RBC Wealth Management USA's foreign affiliate Royal Bank of Canada Investment Management (UK) Limited; contributed to the preparation of this publication. These individuals are not registered with or qualified as research analysts with the U.S. Financial Industry Regulatory Authority ("FINRA") and, since they are not associated persons of RBC Wealth Management, they may not be subject to NASD Rule 2711 and Incorporated NYSE Rule 472 governing communications with subject companies, the making of public appearances, and the trading of securities in accounts held by research analysts.

In the event that this is a compendium report (covers six or more companies), RBC Wealth Management may choose to provide important disclosure information by reference. To access current disclosures, clients should refer to http://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?EntityID=2 to view disclosures regarding RBC Wealth Management and its affiliated firms. Such information is also available upon request to RBC Wealth Management Publishing, 60 South Sixth St, Minneapolis, MN 55402.

References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Large Cap (RL 7), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: Midcap 111 (RL9), the Guided Portfolio: ADR (RL 10), and the Guided Portfolio: Global Equity (U.S.) (RL 11). RBC Capital Markets recommended lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

Distribution of Ratings
For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets, LLC ratings of Top Pick (TP)/Outperform (O), Sector Perform (SP) and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described below).

Distribution of Ratings - RBC Capital Markets, LLC Equity Research
As of September 30, 2015

			Investment Banking Services Provided During Past 12 Months	
Rating	Count	Percent	Count	Percent
Buy [Top Pick & Outperform]	958	54.40	281	29.33
Hold [Sector Perform]	701	39.81	118	16.83
Sell [Underperform]	102	5.79	4	3.92

Explanation of RBC Capital Markets, LLC Equity Rating System
An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average. Although RBC Capital Markets, LLC ratings of Top Pick (TP)/Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described below).

Ratings: Top Pick (TP): Represents analyst's best idea in the sector; expected to provide significant absolute total return over 12 months with a favorable risk-reward ratio. **Outperform (O):** Expected to materially outperform sector average over 12 months. **Sector Perform (SP):** Returns expected to be in line with sector average over 12 months. **Underperform (U):** Returns expected to be materially below sector average over 12 months.

Risk Rating: As of March 31, 2013, RBC Capital Markets, LLC suspends its Average and Above Average risk ratings. The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

Valuation and Price Target Impediments
When RBC Wealth Management assigns a value to a company in a research report, FINRA Rules and NYSE Rules (as incorporated into the FINRA Rulebook) require that the basis for the valuation and the impediments to obtaining that valuation be described. Where applicable, this information is included in the text of our research in the sections entitled "Valuation" and "Price Target Impediment", respectively.

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of RBC Capital Markets, LLC, and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets, LLC and its affiliates.

Other Disclosures

Prepared with the assistance of our national research sources. RBC Wealth Management prepared this report and takes sole responsibility for its content and distribution. The content may have been based, at least in part, on material provided by our third-party correspondent research services. Our third-party correspondent has given RBC Wealth Management general permission to use its research reports as source materials, but has not reviewed or approved this report, nor has it been informed of its publication. Our third-party correspondent may from time to time have long or short positions in, effect transactions in, and make markets in securities referred to herein. Our third-party correspondent may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this report.

RBC Wealth Management endeavors to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. In certain investment advisory accounts, RBC Wealth Management will act as overlay manager for our clients and will initiate transactions in the securities referenced herein for those accounts upon receipt of this report. These transactions may occur before or after your receipt of this report and may have a short-term impact on the market price of the securities in which transactions occur. RBC Wealth Management research is posted to our proprietary Web sites to ensure eligible clients receive coverage initiations and changes in rating, targets, and opinions in a timely manner. Additional distribution may be done by sales personnel via e-mail, fax, or regular mail. Clients may also receive our research via third-party vendors. Please contact your RBC Wealth Management Financial Advisor for more information regarding RBC Wealth Management research.

Conflicts Disclosure: RBC Wealth Management is registered with the Securities and Exchange Commission as a broker/dealer and an investment adviser, offering both brokerage and investment advisory services. RBC Wealth Management's Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on our Web site at http://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?EntityID=2. Conflicts of interests related to our investment advisory business can be found in Part II of the Firm's Form ADV or the Investment Advisor Group Disclosure Document. Copies of any of these documents are available upon request through your Financial Advisor. We reserve the right to amend or supplement this policy, Part II of the ADV, or Disclosure Document at any time.

The authors are employed by one of the following entities: RBC Wealth Management USA, a division of RBC Capital Markets, LLC, a securities broker-dealer with principal offices located in Minnesota and New York, USA; by RBC Dominion Securities Inc., a securities broker-dealer with principal offices located in Toronto, Canada; by RBC Investment Services (Asia) Limited, a subsidiary of RBC Dominion Securities Inc., a securities broker-dealer with principal offices located in Hong Kong, China; and by Royal Bank of Canada Investment Management (U.K.) Limited, an investment management company with principal offices located in London, United Kingdom.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P") and is licensed for use by RBC. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Disclaimer

The information contained in this report has been compiled by RBC Wealth Management, a division of RBC Capital Markets, LLC, from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Wealth Management, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Wealth Management's judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients, including clients who are affiliates of Royal Bank of Canada, and does not have regard to the particular circumstances or needs of any specific person who may read it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. To the full extent permitted by law neither Royal Bank of Canada nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of Royal Bank of Canada. In the U.S., RBC Wealth Management operates as a division of RBC Capital Markets, LLC. In Canada, RBC Wealth Management includes, without limitation, RBC Dominion Securities Inc., which is a foreign affiliate of RBC Capital Markets, LLC. This report has been prepared by RBC Capital Markets, LLC. Additional information is available upon request.

To U.S. Residents: This publication has been approved by RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC, which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. RBC Capital Markets, LLC, is an indirect wholly-owned subsidiary of the Royal Bank of Canada and, as such, is a related issuer of Royal Bank of Canada. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets, LLC. International investing involves risks not typically associated with U.S. investing, including currency fluctuation, foreign taxation, political instability and different accounting standards.

To Canadian Residents: This publication has been approved by RBC Dominion Securities Inc. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. ®Registered trademark of Royal Bank of Canada. Used under license. RBC Wealth Management is a registered trademark of Royal Bank of Canada. Used under license.

To European Residents: Clients of United Kingdom subsidiaries may be entitled to compensation from the UK Financial Services Compensation Scheme if any of these entities cannot meet its obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for up to a total of £50,000. The Channel Islands subsidiaries are not covered by the UK Financial Services Compensation Scheme; the offices of Royal Bank of Canada (Channel Islands) Limited in Guernsey and Jersey are covered by the respective compensation schemes in these jurisdictions for deposit taking business only.

To Hong Kong Residents: This publication is distributed in Hong Kong by RBC Investment Services (Asia) Limited and RBC Investment Management (Asia) Limited, licensed corporations under the Securities and Futures Ordinance or, by Royal Bank of Canada, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact RBC Investment Services (Asia) Limited, RBC Investment Management (Asia) Limited or Royal Bank of Canada, Hong Kong Branch at 17/Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong (telephone number is 2848-1388).

To Singapore Residents: This publication is distributed in Singapore by RBC (Singapore Branch) and RBC (Asia) Limited, registered entities granted offshore bank status by the Monetary Authority of Singapore. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. You are advised to seek independent advice from a financial adviser before purchasing any product. If you do not obtain independent advice, you should consider whether the product is suitable for you. Past performance is not indicative of future performance.