RBC Dominion Securities Inc.

Q2 2021 Review

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Wealth Management
Dominion Securities

Fixed Income

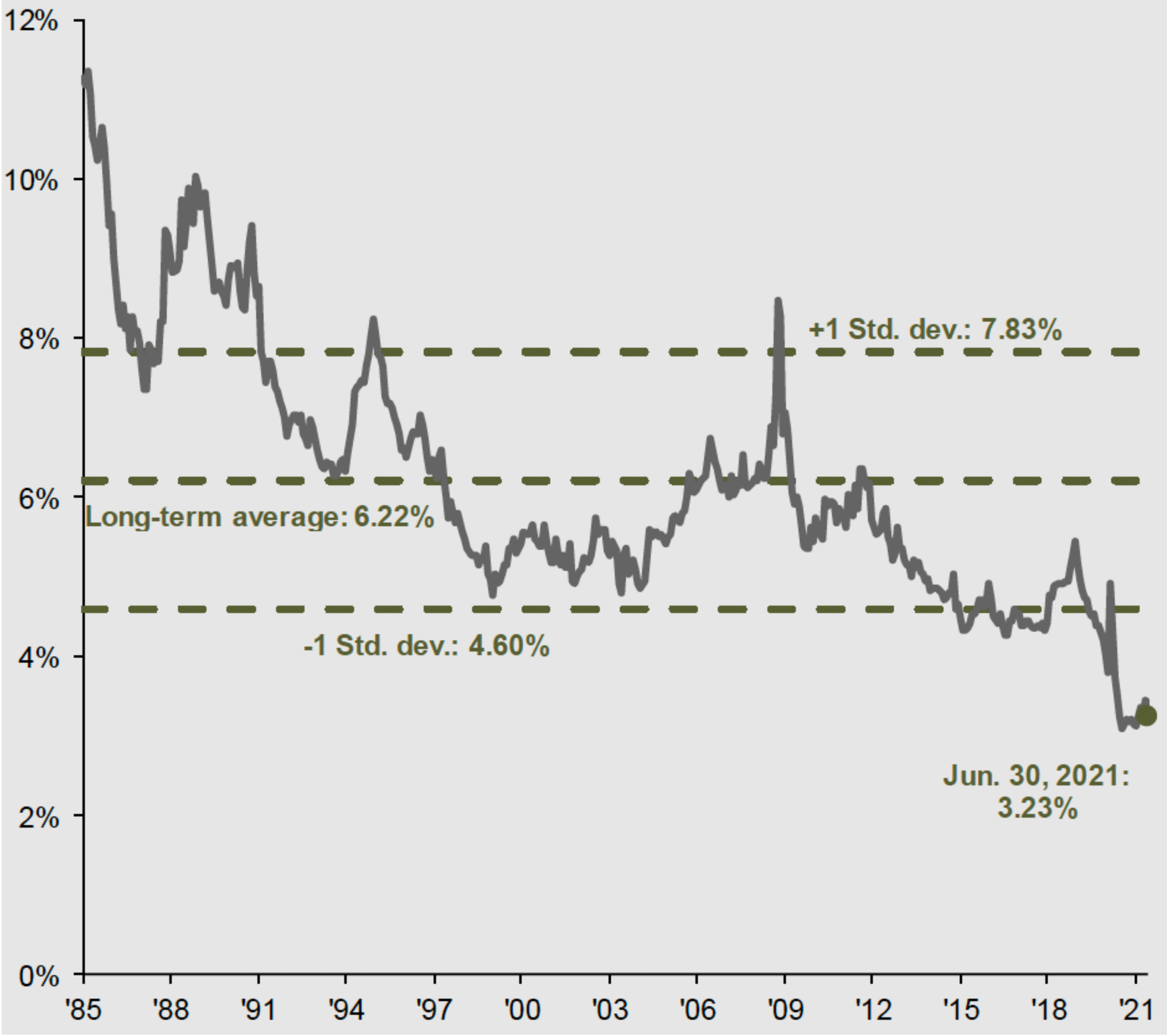
The 60/40 portfolio

- The graph on the right shows the average yield on a 60/40 portfolio.

- The yield as of June 30, 2021 is 3.23%, close to half of the long-term average of 6.22%.

Earnings/coupon yield on a 60/40 portfolio

S&P 500 forward earnings-to-price ratio and Barclays U.S. Aggregate yield-to-worst



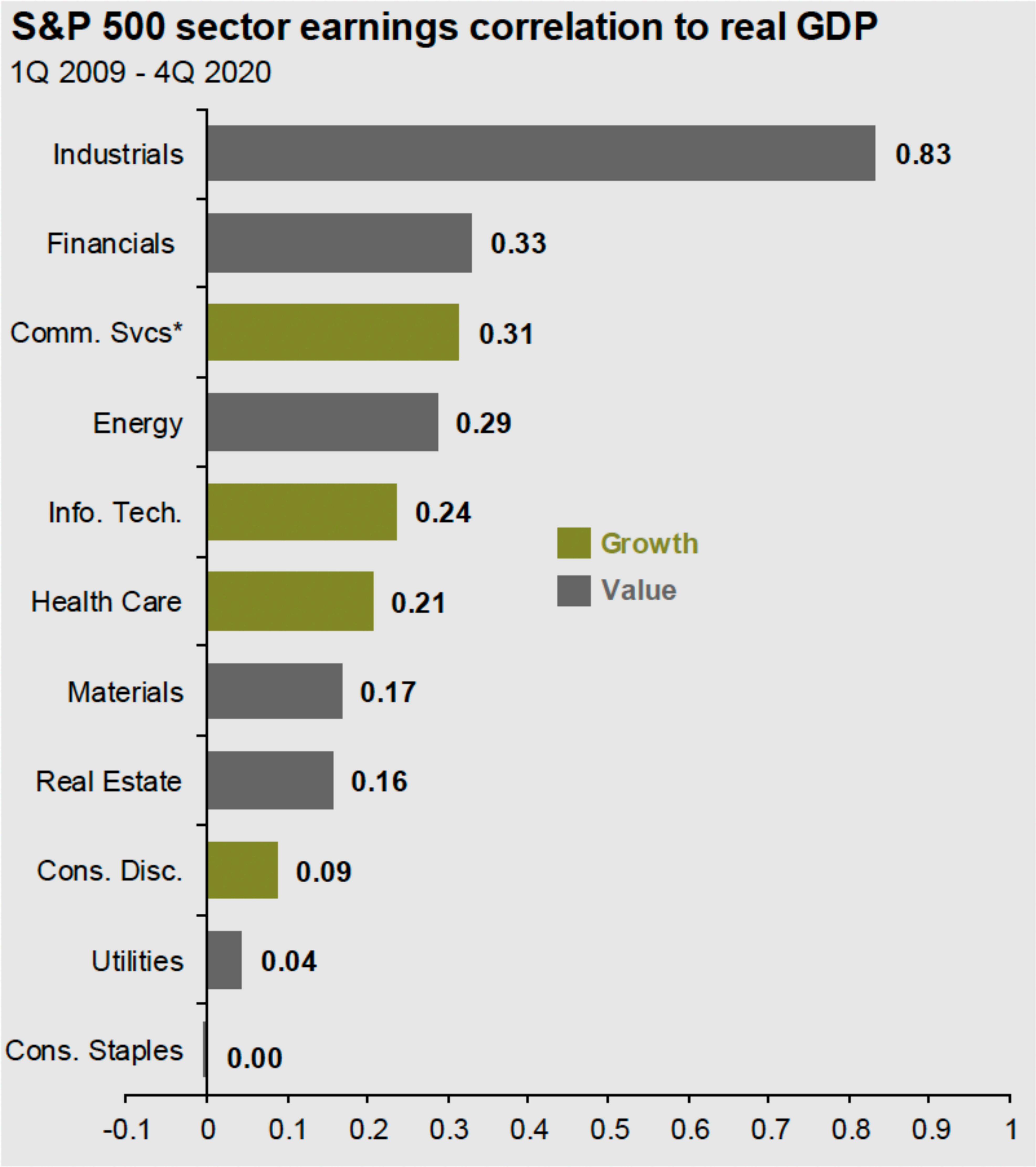
Source: Barclays, Bloomberg, FactSet, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since June 1996, and J.P. Morgan Asset Management for 6/30/21. Valuation is calculated by summing 60% weight to earnings yield on stocks (inverse of forward P/E) and a 40% weight to the yield-to-worst on the Barclays U.S. Aggregate. Returns are based on a 60% weighting in the S&P 500 Total Return Index and a 40% weighting in the Barclays U.S. Aggregate Total Return index. 60/40 is rebalanced annually. Returns are 60-month annualized total returns, measured monthly, beginning December 31, 1984.
Guide to the Markets – U.S. Data are as of June 30, 2021.

Fixed Income

Low correlation industries

- Utilities and Real Estate have a low correlation to real GDP with 0.04 and 0.16 respectively.

- Durable business model and low correlation to GDP makes them good substitutes for fixed income



Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.
Growth is represented by the Russell 1000 Growth Index and Value is represented by the Russell 1000 Value Index. *Communication services correlation is since 3Q13 and based on backtested data by JPMAM.
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Portfolio Return - sources

Return by style and size

- Over the past 10 years, growth has outperformed value and blend across sizes.
- Similar story can be seen since market peak (Feb. 2020).
- However, YTD we are seeing an outperformance of value style, especially in the small capitalization space

10-year annualized

	Value	Blend	Growth
Large	11.6%	14.8%	17.9%
Mid	11.7%	13.2%	15.1%
Small	10.8%	12.3%	13.5%

YTD

	Value	Blend	Growth
Large	17.0%	15.3%	13.0%
Mid	19.5%	16.2%	10.4%
Small	26.7%	17.5%	9.0%

Since market peak (February 2020)

	Value	Blend	Growth
Large	18.9%	29.9%	43.2%
Mid	23.2%	31.1%	40.0%
Small	35.4%	38.8%	39.6%

Since market low (March 2020)

	Value	Blend	Growth
Large	92.2%	96.1%	109.0%
Mid	117.9%	119.5%	117.7%
Small	138.1%	134.0%	126.9%

Source: FactSet, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management.
All calculations are cumulative total return, including dividends reinvested for the stated period. Since Market Peak represents period from 2/19/20 to 6/30/21. Since Market Low represents period from 3/23/20 to 6/30/21. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell style indices with the exception of the large blend category, which is based on the S&P 500 Index. Past performance is not indicative of future returns. The price-to-earnings is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates and J.P. Morgan Asset Management.
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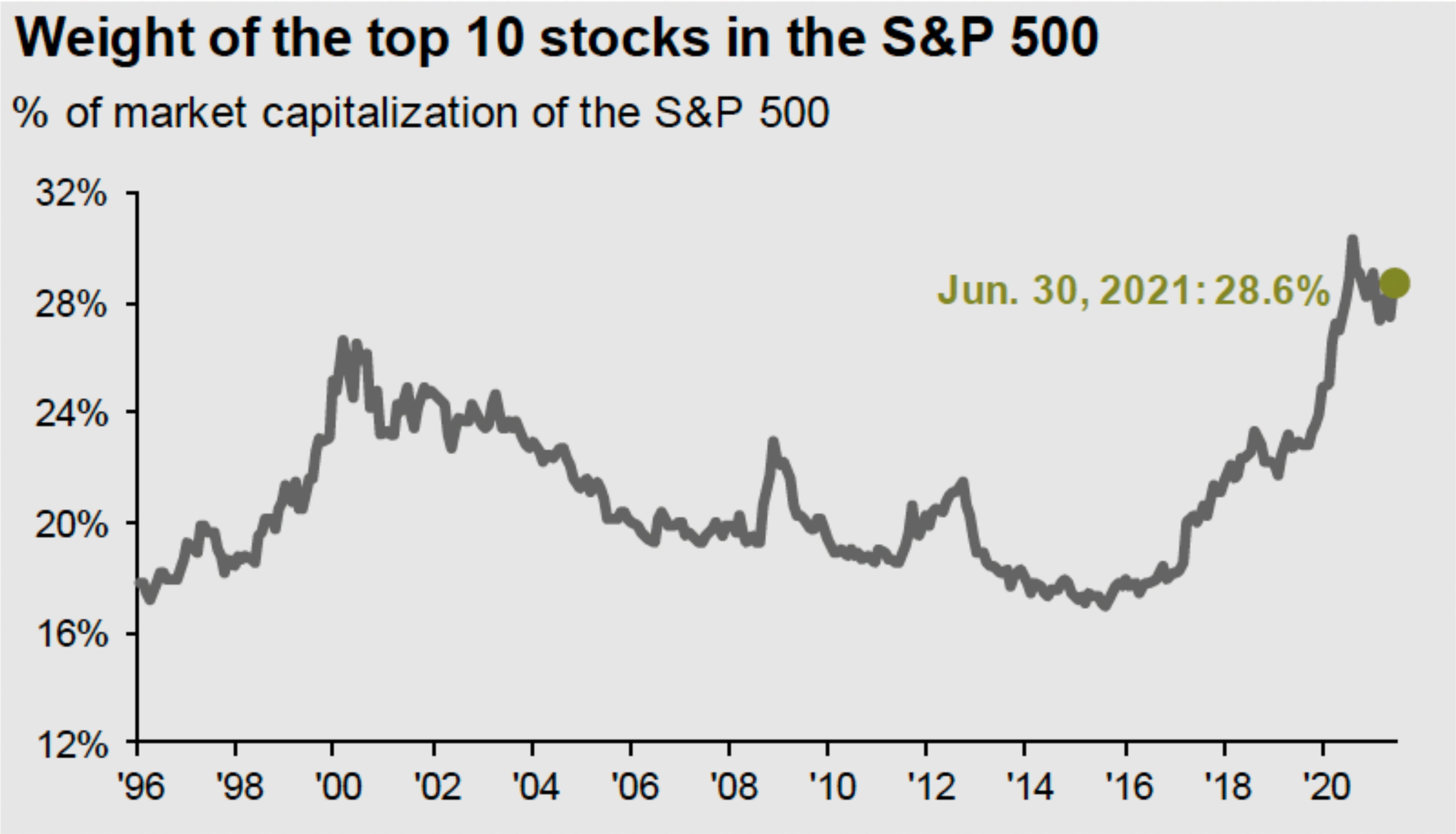
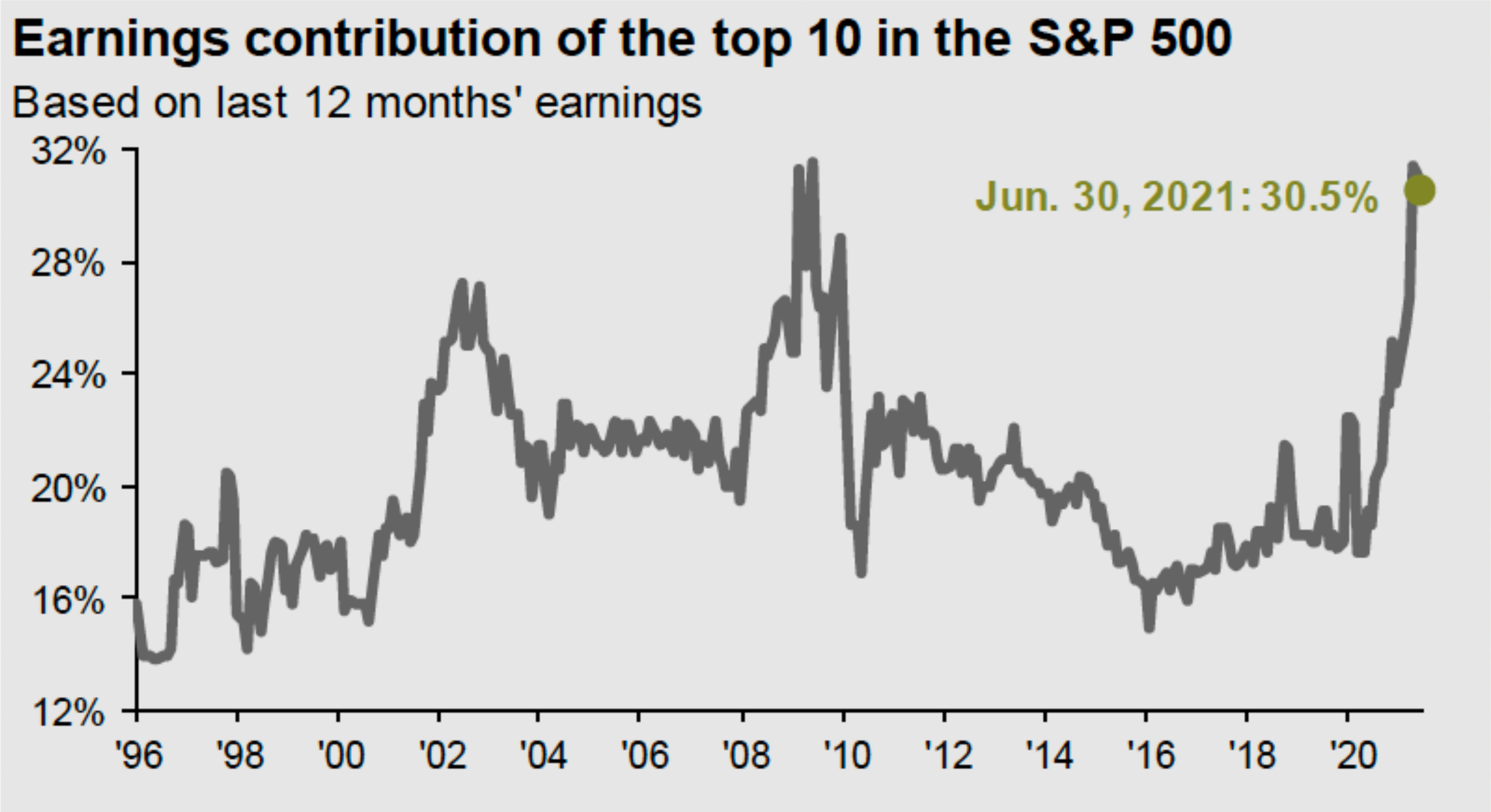
Portfolio Return - diversification

Top 10 Stocks in the S&P500

- While the S&P500 has performed well, note that most of the outperformance is generated by the top 10 names.

- While some of those names are high quality companies, we prefer to have exposure to different industries.





Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
The top 10 S&P 500 companies are based on the 10 largest index constituents at the beginning of each month. The weight of each of these companies is revised monthly. As of 6/30/21, the top 10 companies in the index were AAPL (5.9%), MSFT (5.6%), AMZN (4.1%), FB (2.3%), GOOGL (2.0%), GOOG (2.0%), BRK.B (1.5%), TSLA (1.4%), NVDA (1.4%), JPM (1.3%), and JNJ (1.2%). The remaining stocks represent the rest of the 494 companies in the S&P 500.
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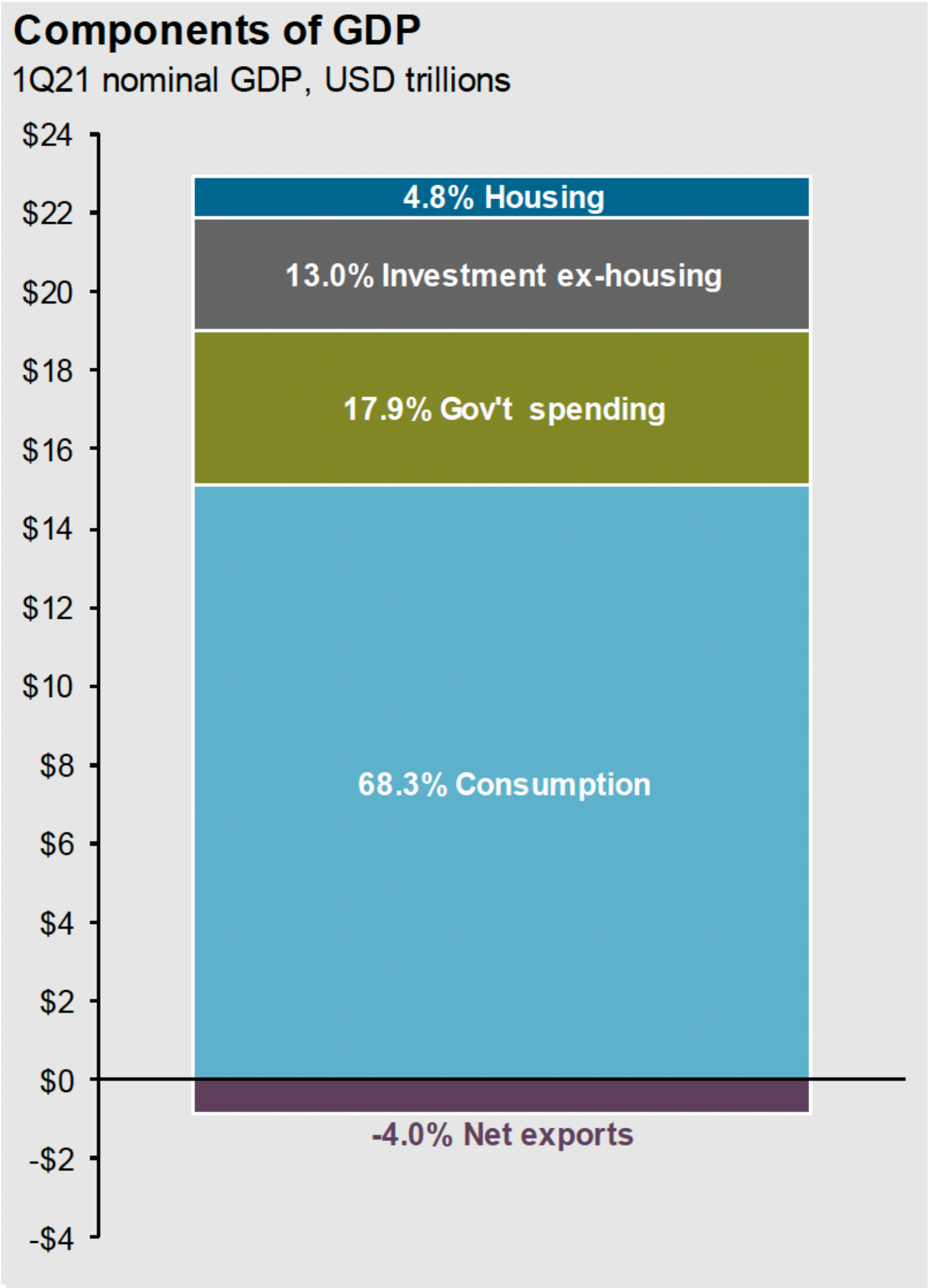
US Economy

Components of GDP

- A big part of what makes the US economy so resilient is its reliance on domestic consumption, close to 70% of GDP.



Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Forecasts are not a reliable indicator of future performance.
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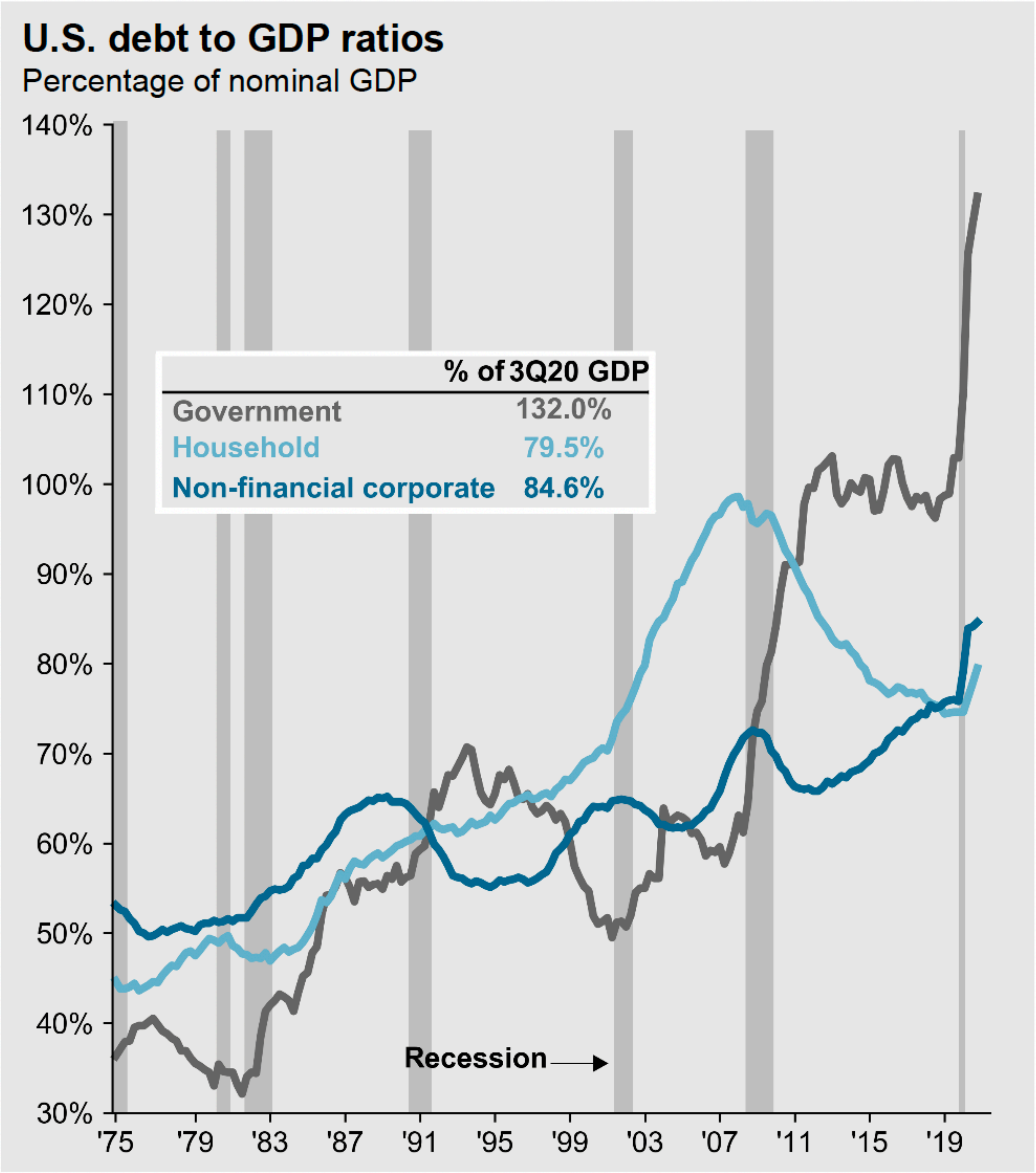
US Economy

US Debt to GDP ratios

- And the US consumer has never been in better shape.
- Household debt as a % of GDP is ~80%, much lower than 07-09 close to 100%



Source: FactSet, J.P. Morgan Asset Management; (Left) Bank for International Settlements (BIS); (Top and bottom right) Barclays, Bloomberg. Government, household and non-financial corporate debt refers to gross debt. General government debt is comprised of core debt instruments that include currency and deposits, loans and debt securities. All debt values are shown at market value. *Baa debt outstanding and duration of investment grade is based on the Bloomberg Barclays U.S. Aggregate Investment Grade Corporate Credit Index. Baa debt is the lowest credit rating issued by Moody's for investment-grade debt.
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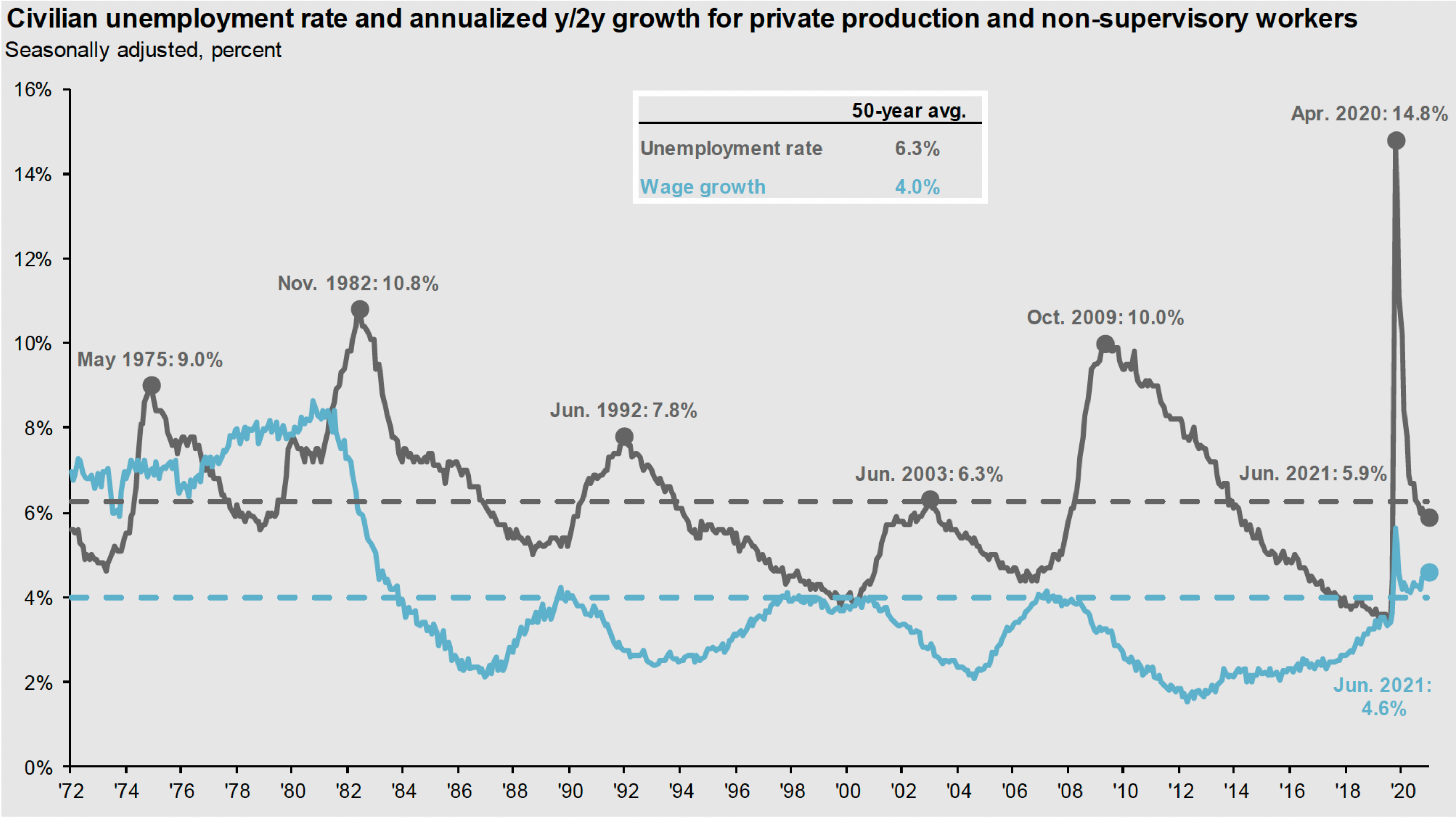
US Economy

Wage and Unemployment

- Unemployment is currently 5.9%, lower than the long-term average of 6.3%

- Wage growth is currently 4.6%, higher than the long-term average of 4%.



Source: BLS, FactSet, J.P. Morgan Asset Management.
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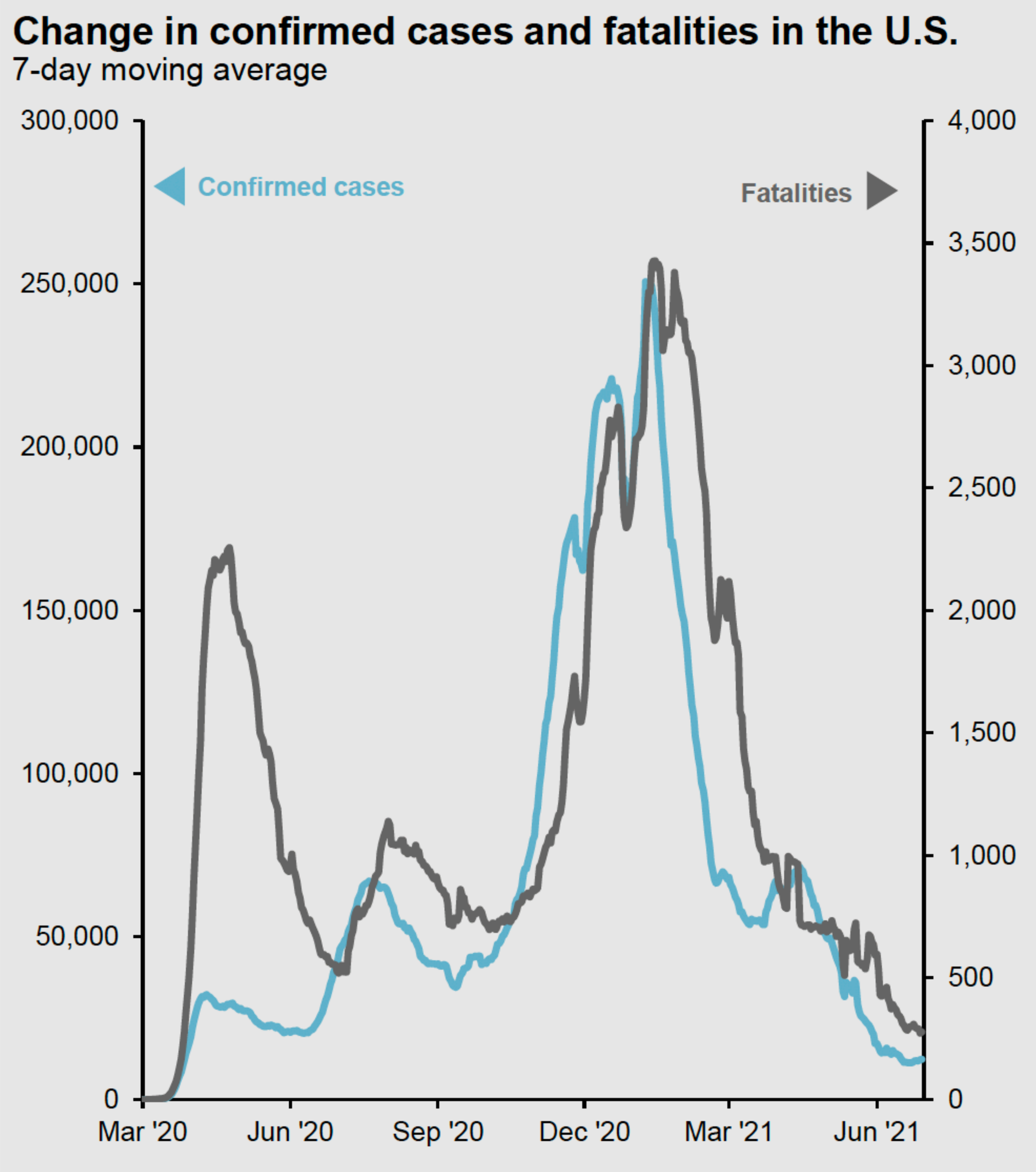
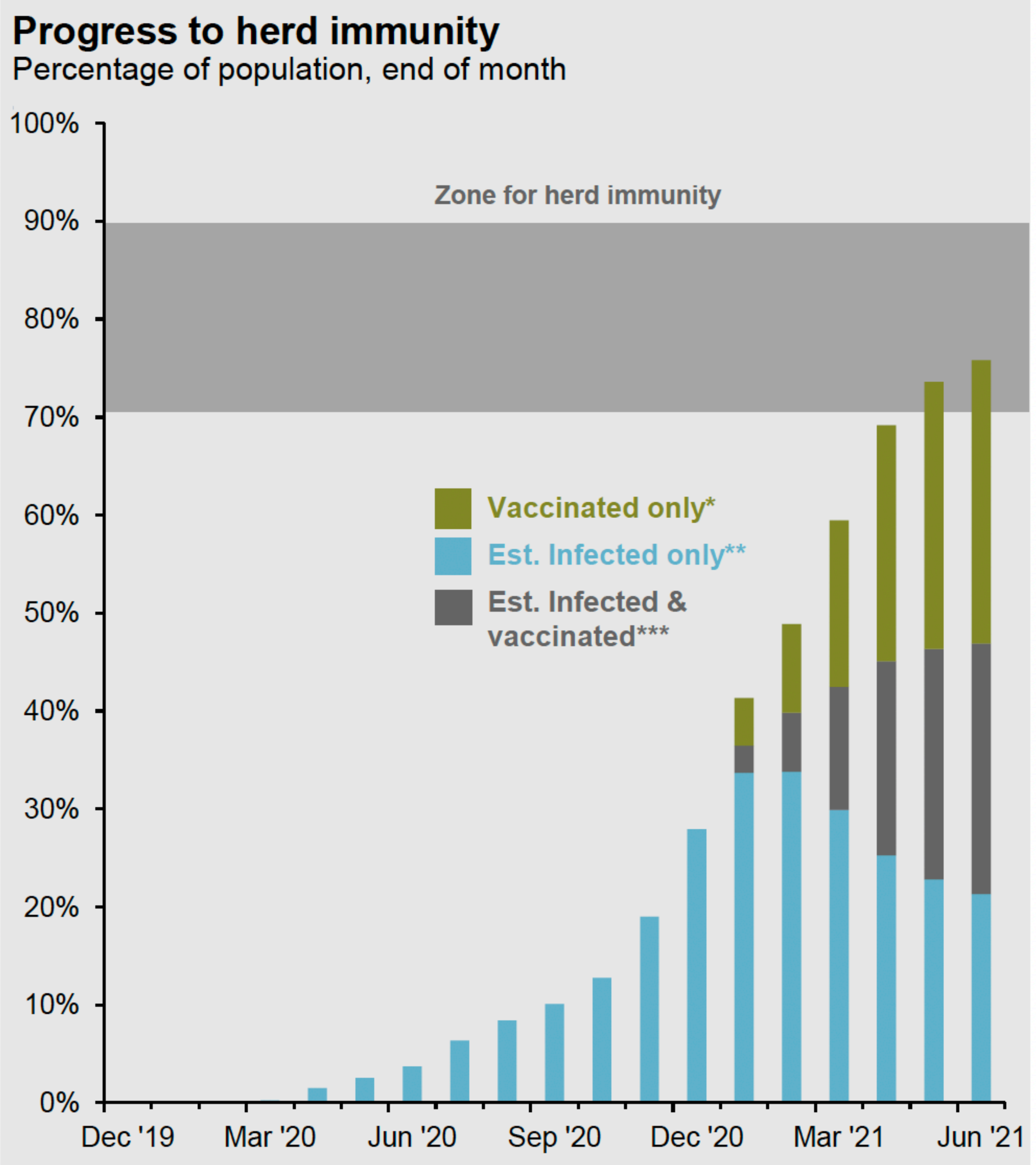
US Economy

COVID-19 situation

- Confirmed cases and fatalities are near all-time lows

- US has already achieved herd immunity.





Source: Centers for Disease Control and Prevention, Johns Hopkins CSSE, Our World in Data, J.P. Morgan Asset Management.
*Share of the total population that has received at least one vaccine dose. **Est. Infected represents the number of people who may have been infected by COVID-19 by using the CDC's estimate that 1 in 4.6 COVID-19 infections were reported. ***Est. Infected & vaccinated assumes those infected equally likely to be vaccinated as those not infected. On 5/6/21, we moved up our threshold for herd immunity from 60-80% to 70-90% based on the comments by Dr. Anthony Fauci that the prevalence of more contagious variants have pushed up the target herd immunity threshold for the U.S.
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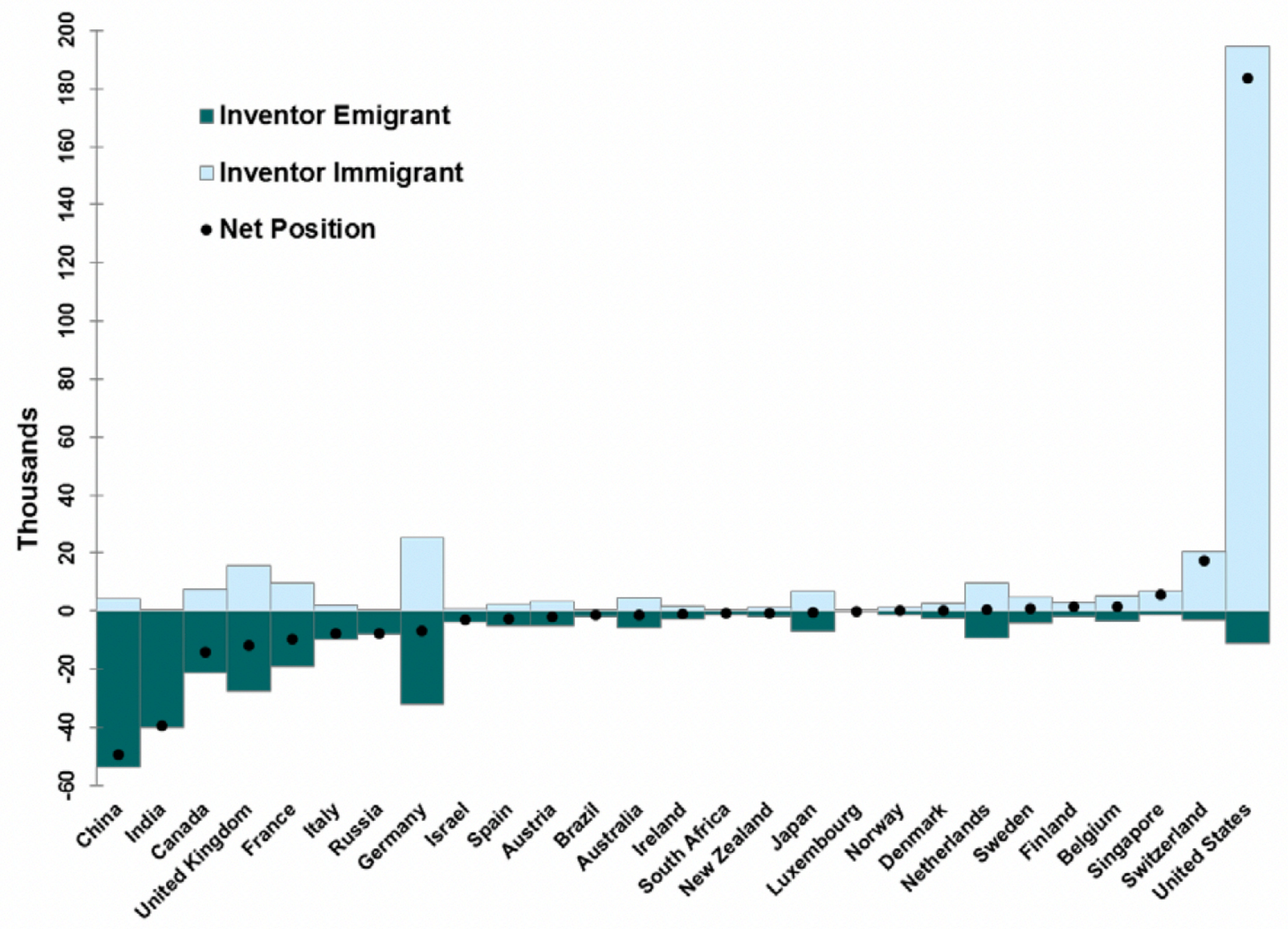
US Economy
Human Capital

- Another huge advantage for the US is its attraction to human capital.

- From 2000-2010, close to 200,000 inventors immigrated to the US, by far the lion share.

Figure 4: WIPO Migration of Inventors, 2000-2010



Notes: Migration patterns for inventors taken from the World Intellectual Property Organization (WIPO) database and Miguelez and Fink (2013).

Contact us for any inquiries.

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Asset Allocation Where mutual funds or other structured securities are incorporated into this statement, they are classified by region (Canadian, US, or International) and by sector (Cash, Fixed Income, Equity, and Other) even though some may contain elements of more than one classification.

Sector Allocation represents the portfolio's exposure to established industry sectors. The term "Other" is used to denote securities that either do not fit any of the other sector classifications, or contain elements of more than one. Examples may include Exchange Traded funds or Mutual Funds.

Top Holdings indicates the 5 largest holdings within the portfolio or relevant asset class based on the market value of portfolio holdings at the time the report was generated.

Last Price represents either the previous day's closing price or the most recent intraday price quote, as indicated in the report, at the time the report was generated. It does not necessarily reflect the price at which a trade in the indicated security could be executed.

Market Value represents the value of the investment at the time the report was generated based on either the previous day's closing price or the most recent intraday price quote. It does not necessarily reflect the current market value of the security holdings.

Percent (%) of Portfolio represents the percentage weight of the indicated security within the portfolio at the time the report was generated. It does not necessarily reflect the current market value of the security holdings.

Percent (%) of Asset Class represents the percentage weight of the indicated security within the relevant asset class at the time the report was generated. It does not necessarily reflect the current market value of the security holdings.

Dividend Yield is based on projected dividends and distributions, which are not guaranteed and may be subject to change.

Yield to Call/Maturity for any preferred share or bond with a call feature is calculated using the most conservative of the maturity date or the first call date, I.e. which ever would amount to the lowest yield. Note that many preferred shares and some bonds have multiple call dates at differing prices. In such a case, the Yield to Call/Maturity may not be a conclusive indicator of value and investors should review the terms of the security to gauge the relative risk and return potential.

Yield to Call/Maturity for Canadian preferred shares is calculated on a bond equivalent basis using assumed tax rates, i.e. the figure shown is indicative of the yield that must be earned on a bond priced at 100 in order to achieve an equivalent after tax return. This allows for comparison of bonds and preferred shares on an equal basis. Calculations assume capital losses can be applied against capital gains from elsewhere in the portfolio.

Annual Income is based on projected dividends and distributions, which for many securities such as equities, income trusts and mutual funds are not guaranteed and may be subject to change. In addition, annual income is projected based on the assumption that no fixed income security will be called within the next 12 months. In such an event, there may be a risk that a replacement security cannot be found with similar cash flow and yield characteristics. No reinvestment assumptions are made for securities that mature within the 12 month projection window.

Cash-on-Cash Yield is calculated by dividing the total value of cash flows that are expected to be received over the next 12 months by the current market price of the security. Unlike the Yield to Call/Maturity calculation, it does not take into account the amortization of any premiums or discounts to any future maturity or call value. The number is provided as a uniform measure of the cash flows expected from a security.

Fixed Income Credit Allocation Credit ratings used for the purposes of these charts have been harmonized amongst the various ratings agencies (for example, S&P AA- and DBRS AA(low) would be treated as equivalent ratings even though ratings criteria may differ amongst the ratings agencies).

Fixed Income Sector Allocation GICs are treated as Federal Government credit under the assumption that individuals hold no more than the $100,000 CDIC insurance limit. Above the limit, GICs should be viewed as corporate debt securities.

Fixed Income Term to Maturity and Modified Duration Maturity dates used when calculating these values are the most conservative of any applicable call date or maturity date, I.e. which ever would amount to a lower yield to maturity or call. Accordingly, as interest rates change, there may be significant changes in term or modified duration as the relevant end dates for some securities change. For preferred shares, which are perpetual in nature, a maturity date of 2050 is used for purposes of calculating term to maturity and modified duration.

Investment Risks

The following represents some of the key portfolio risks investors should consider; however, it is not intended to be an exhaustive catalogue of all potential risks, nor is every risk listed necessarily applicable to every investment product or security.

Market Risk Any investment is subject to market fluctuations and thus there can be no assurance that an investment will return its value or that appreciation will occur.

Concentration Risk Where significant percentages of a portfolio are held in a single security or asset class or highly correlated securities, volatility may be very high relative to broader market indices. Concentrations may occur with counterparties (issuer), asset class, issuer, industry, or currency.

Credit risk This risk is typically associated with fixed income instruments, but applies to any instrument where repayment depends on the ability of an entity to settle an obligation. The risk borne is that the issuer may default on their obligation.

Counterparty Risk Conceptually the same as 'Credit Risk', but generally used to describe the risk of less direct exposures such as the issuer on a structured product, some Exchange Traded Funds (ETFs), or the entity behind a derivatives contract.

Transparency / Complexity Risk Some products such as hedge funds, structured products, fund of funds, and private equity may not give clients full or real-time transparency on holdings or have complex underlying positions. Investors should take particular care in understanding the structure of these holdings and the nature of the product prior to investing.

Leverage Risk Where lending is either secured by a portfolio or is embedded in a product, investors may be particularly exposed to increased market risk and liquidity risk in adverse markets.

Currency Risk Currency can either directly or indirectly affect an investment. The value of a holding will be directly affected by foreign exchange movements where the investor's reference currency is different from the investment currency. For investments such as equities, the value of the underlying investment may also be indirectly affected by currency where foreign exchange movements influence the market economy and competitiveness of companies.

Liquidity Risk There are two types of 'liquidity risk'. Firstly, by design a structure may render funds inaccessible to the investor over certain periods of time as a result of lockups or redemptions leaving the investor open to market risk during these interim periods. Secondly, if market volumes in an investment are low, an investor may be unable to find a buyer or seller to match their position or may only be able to buy or sell at disadvantageous prices.

Political Risk Countries with political instability or where political bodies can exert a strong influence on markets and business practices may be subject to greater volatility. Political risk is present if the potential returns on an investment could be significantly affected by a political entity's decisions rather than by predominantly economic and market factors. Political risk may include potential for currency controls, expropriation and insufficient legal or regulatory infrastructure.

Rollover Risk Rollover risk is faced by countries and companies when their debt is close to maturity and must be 'rolled over' into new debt. If conditions for the issuer have deteriorated since the issue to be refinanced, the costs of the new financing may be considerably higher, or it may not even be possible to find new buyers to provide refinancing for maturing debt.

Inflation Risk Erosion of real capital value relative to its future purchasing power.