

RBC Dominion Securities Inc.

# Introduction to Doug Clark Group



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# 1. Introduction to the Doug Clark Group



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RBC Dominion Securities Inc.

Doug joined RBC in 2009 to create a family office style wealth management team focusing on high-net-worth individuals.

Differentiated investment approach by thoughtful understanding of various asset classes and their particular risk/reward characteristics.

Believe that a holistic approach is essential to meeting client expectations, which requires rigorous discovery before any investments can be made.

Supported by a high quality team ensuring all aspects of client wealth management needs are met.



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# Doug Clark Team



Doug Clark, CFA  
*Portfolio Manager*

Doug brings over 30 years of investment experience in the public and private markets. Prior, Doug has worked on M&A, corporate finance spanning over North America and Europe



Michael Dignam, FEA  
*Private Banker*

Michael Dignam brings over 25 years of experience in wealth management to his role as a Private Banker, providing wealth management advice customized for select families in the GTA.



Madison Mai, CPA, CA, CFP  
*Certified Financial Planner*

Madison specializes in developing and implementing tax planning strategies for High Net Worth individuals and private corporations with a strong focus on Canadian domestic and cross-border succession and estate planning.



Robyn Solnik, LL.B, TEP  
*Wills & Estate*

As a Business Owner Specialist, High Net Worth Planning Services, Robyn, together with your primary RBC advisor, helps you explore succession, tax, retirement and estate planning issues you face as a business owner.



Carlen Ramsumair  
*Associate*

Carlen began her career with RBC Dominion Securities in 2006 and joined the Doug Clark team in 2013 as a licensed associate. She handles all the day to day administration and brings extensive knowledge, experience and a high level of care in client services.



Kein Bejko  
*Associate*

Kein's passion for investing started in university where he managed portfolios for friends and family. Prior to joining RBC, Kein has worked in the wealth management industry in research and client relations.



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# Who we work with

RBC Dominion Securities Inc.

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We work with people we like, trust, and whom we share similar values.

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Most of our clients are high-net-worth individuals.

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Generally in our best relationships we service multiple generations within the same family.

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Our ambition is to become the trusted advisor, out-sourced CIO.



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## 2. Historical Context



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# 2020

## A Year without Precedent

### Negatives

- Pandemic, a tragedy affecting millions of people
- Lockdowns
- Mass unemployment
- Retail businesses destroyed
- China arguing the superiority of their system of government

### Positives

- Speed of vaccine and its efficiency
- Fiscal and Monetary stimulus also very fast and very effective
- Never before in a recession have we had record corporate bond issuance, and a strong housing market
- The stronger businesses adapted



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# 40 years of declining interest rates



Interest rates have been in a long-term declining trend for 35 years. The move in the US 10 year from below 1% at the beginning of 2021 to the 1.70% level at the end of March 2021 marked an important inflection point. We have done lots of research on Fed Policy and are currently focusing on the period 1945-1952 to assess risk.

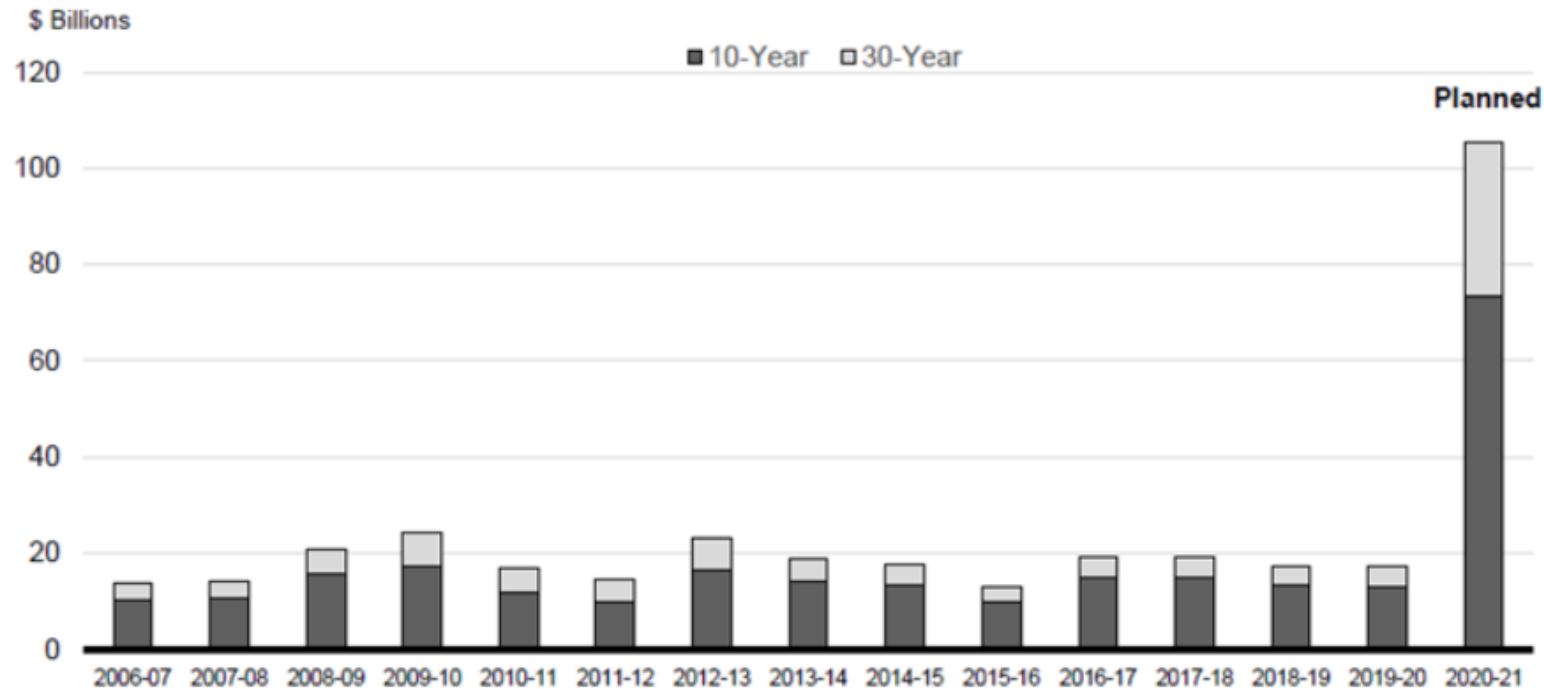


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# Explosion of New Government Debt

Despite low rates the fundamentals have deteriorated

Exhibit 3: Historical vs. planned GoC long bond issuance (10 and 30-year terms)



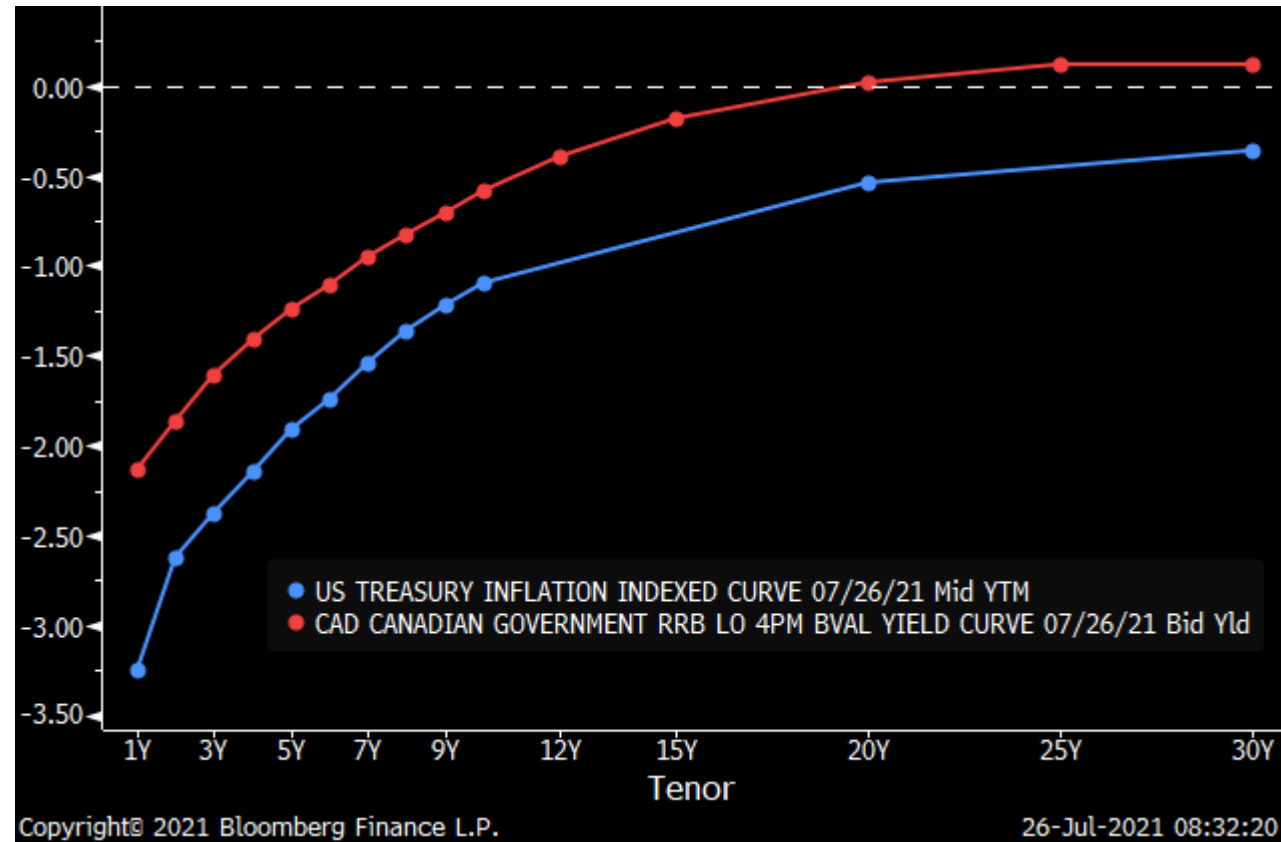
Source: Department of Finance



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# Real Yields are negative

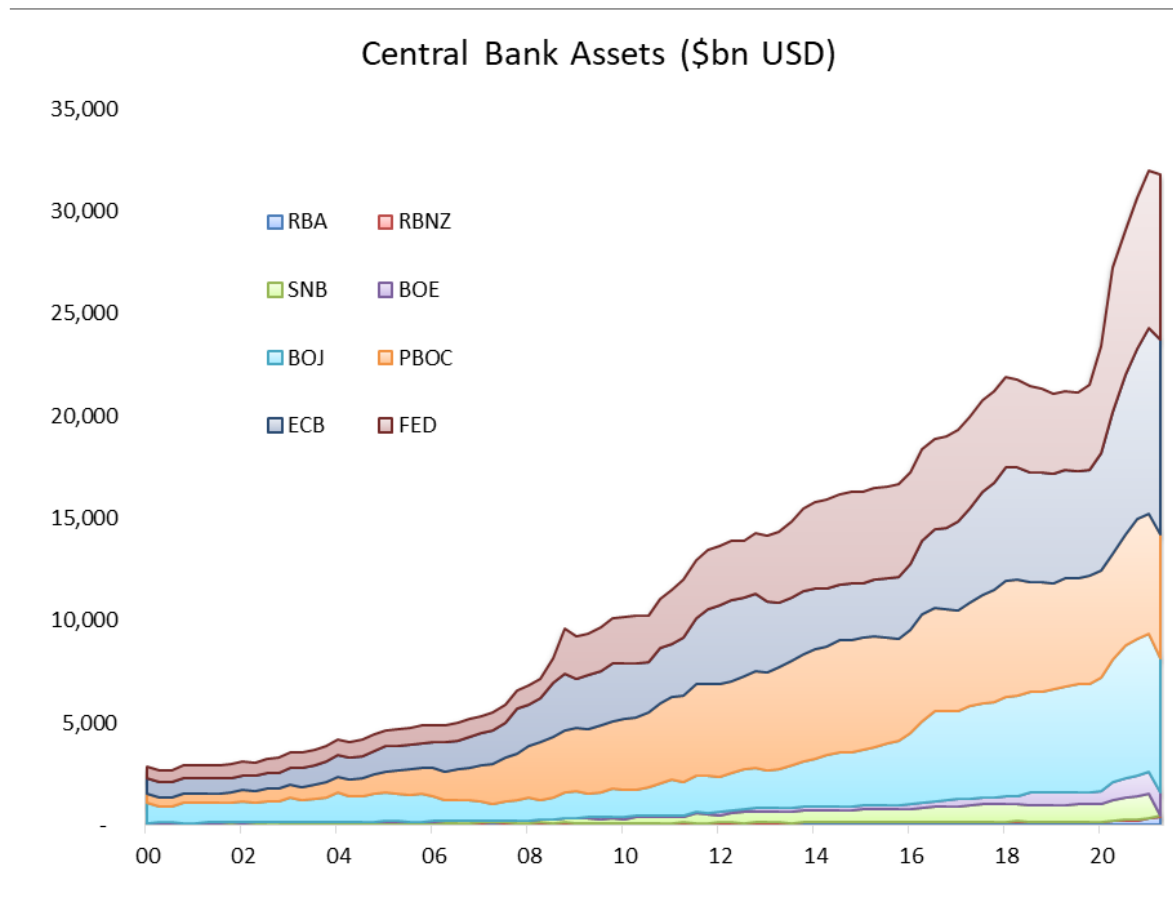
- In 2020 with all the monetary stimulus enacted, US real interest rates (nominal yield less inflation) went negative and hit new lows in 2021
- Meanwhile credit risk fundamentals are deteriorating rapidly
- This relationship looks irrational to us and we question the fundamental basis for investing in many of the fixed income markets



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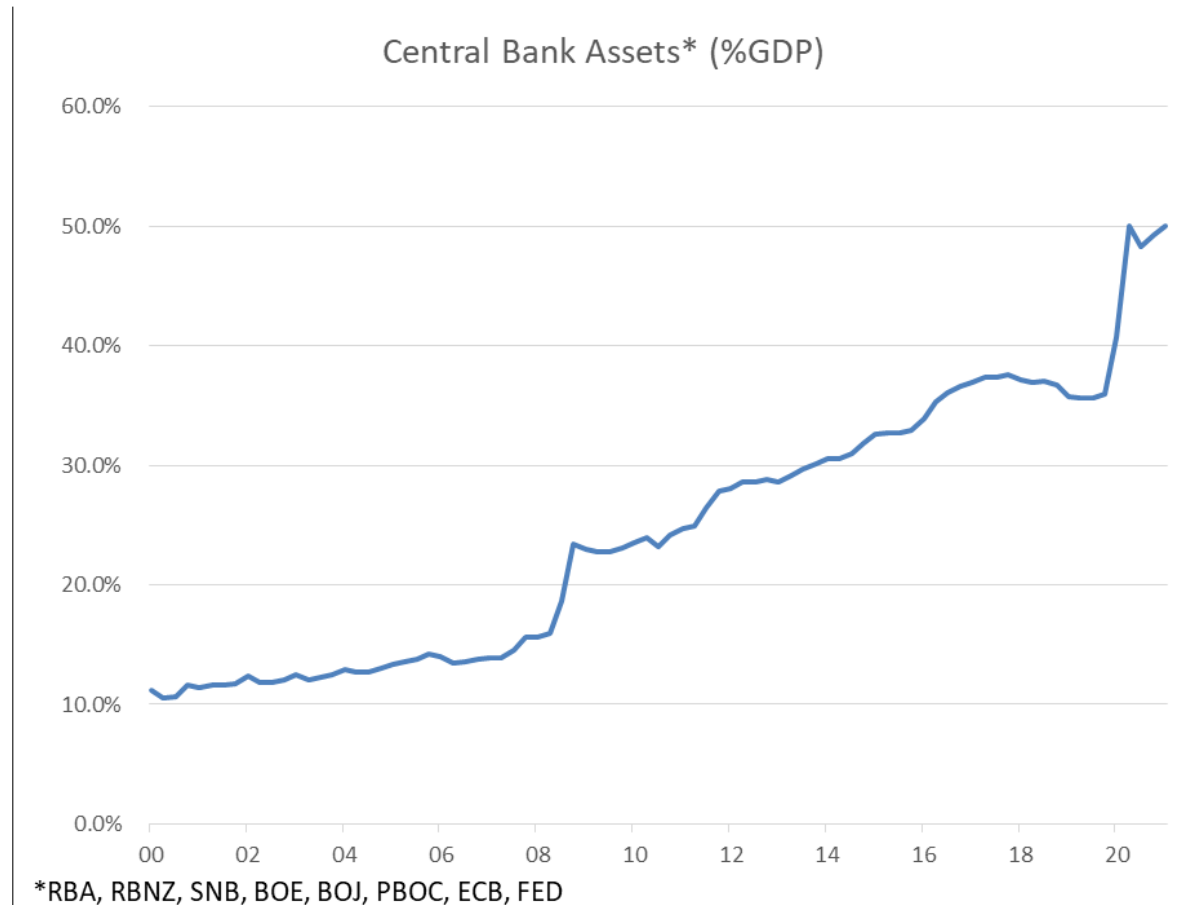
# Hotel California

Central banks have to date been unable to taper

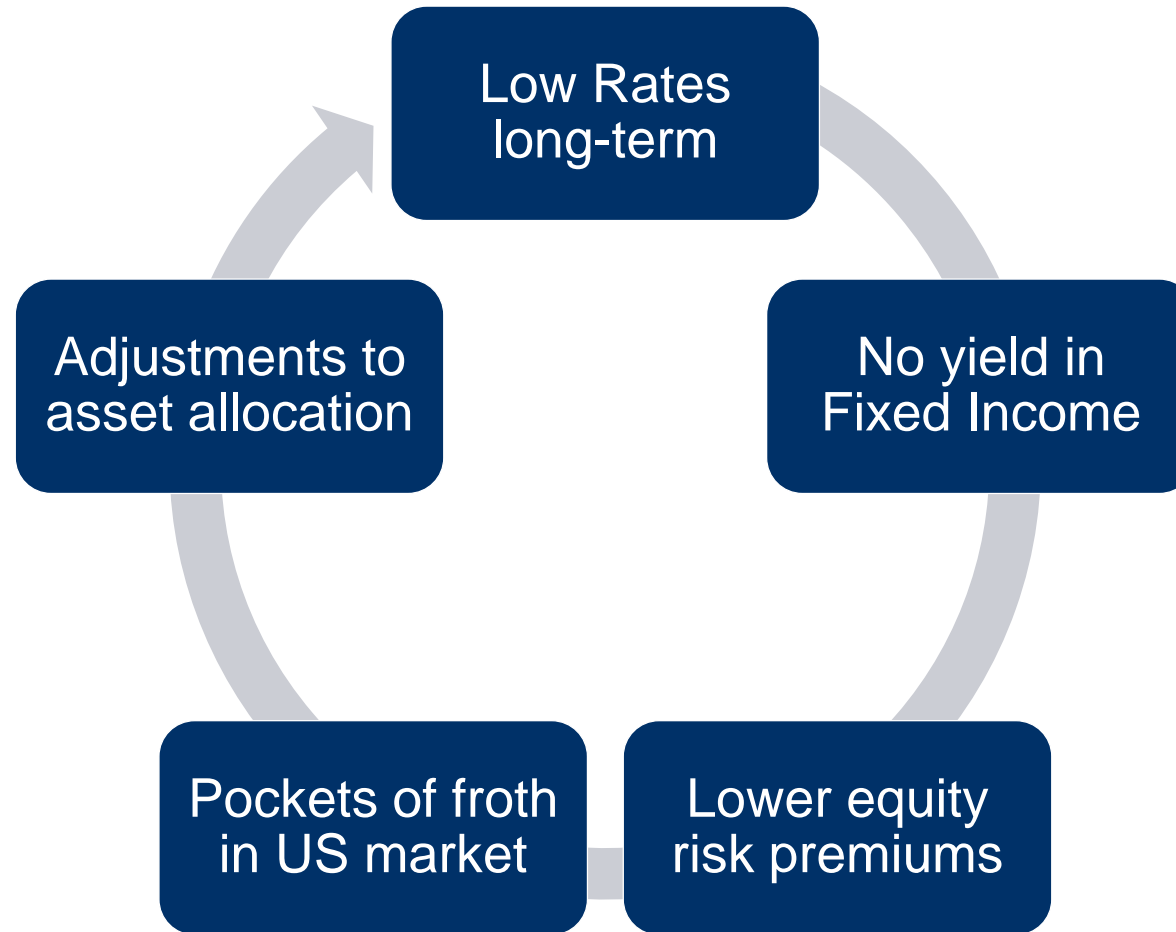


# Negative Rates for how long?

Relative to GDP the monetary stimulus is unprecedented



# Implications for Investors



# Tactical FX Strategy

The big rally in the equity market starting the summer of 2020, also produced a big rebound in the Canadian dollar. Above 80c has been the best level to buy other currencies in the past five years. Our approach is to be tactical and separate the currency decision from the equity strategy



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# 3. Equity Investment Implications



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# US Equity Market Very Concentrated

Periods with high concentrations are often style peaks

Top 25 members of the S&P 500					
June 2020	wght	June 2000	wght	June 1972	wght
1 Microsoft Corporation	5.67	General Electric Company	7.09	International Business Machines	12.74
2 Apple Inc.	5.60	Cisco Systems, Inc.	6.10	AT&T	7.84
3 Amazon.com, Inc.	4.19	Intel Corporation	6.05	Exxon Corporation	6.11
4 Facebook, Inc. Class A	2.18	Microsoft Corporation	5.69	Eastman Kodak Company	6.10
5 Alphabet Inc. Class A	1.67	Pfizer Inc.	4.09	General Motors Corporation	5.26
6 Alphabet Inc. Class C	1.67	Exxon Mobil Corporation	3.70	Sears Roebuck & Co.	4.12
7 Johnson & Johnson	1.48	Walmart Inc.	3.48	Xerox Corporation	3.38
8 Berkshire Hathaway Inc. Class B	1.40	Oracle Corporation	3.19	General Electric Company	2.89
9 Visa Inc. Class A	1.30	Citigroup Inc.	2.75	Minnesota Mining and Manufacturing	2.62
10 JPMorgan Chase & Co.	1.24	Nortel Networks Corporation	2.68	Texaco Inc.	2.58
11 Procter & Gamble Company	1.14	International Business Machines	2.63	Coca-Cola Company	2.36
12 UnitedHealth Group Incorporated	1.07	Lucent Technologies Inc.	2.59	Procter & Gamble Company	2.36
13 Home Depot, Inc.	1.05	American International Group, Inc.	2.45	E. I. du Pont de Nemours	2.21
14 Mastercard Incorporated Class A	1.05	Merck & Co., Inc.	2.38	Avon Products, Inc.	1.97
15 Intel Corporation	1.02	EMC Corporation	2.26	American Home Products Corp	1.86
16 Verizon Communications Inc.	0.92	SBC Communications Inc.	1.99	Merck & Co., Inc.	1.82
17 AT&T Inc.	0.88	Sun Microsystems	1.96	Standard Oil Co Calif	1.81
18 NVIDIA Corporation	0.86	Coca-Cola Company	1.92	Johnson & Johnson	1.77
19 Walt Disney Company	0.82	Johnson & Johnson	1.92	Standard Oil Company	1.68
20 Bank of America Corp	0.79	WorldCom Inc.	1.78	Eli Lilly and Company	1.58
21 Exxon Mobil Corporation	0.79	Dell Computer Corporation	1.73	Dow Chemical Co.	1.31
22 Adobe Inc.	0.78	Hewlett-Packard Company	1.68	Gulf Oil Corp	1.28
23 Merck & Co., Inc.	0.77	America Online, Inc.	1.64	Polaroid Corporation	1.25
24 Cisco Systems, Inc.	0.76	Home Depot, Inc.	1.56	J. C. Penney Company, Inc.	1.21
25 Pfizer Inc.	0.74	Bristol-Myers Squibb Company	1.55	Ford Motor Company	1.18

Data source: FMRCo, Bloomberg, Haver Analytics, FactSet. Data as of 07/31/2020.  
Past performance is no guarantee of future results.



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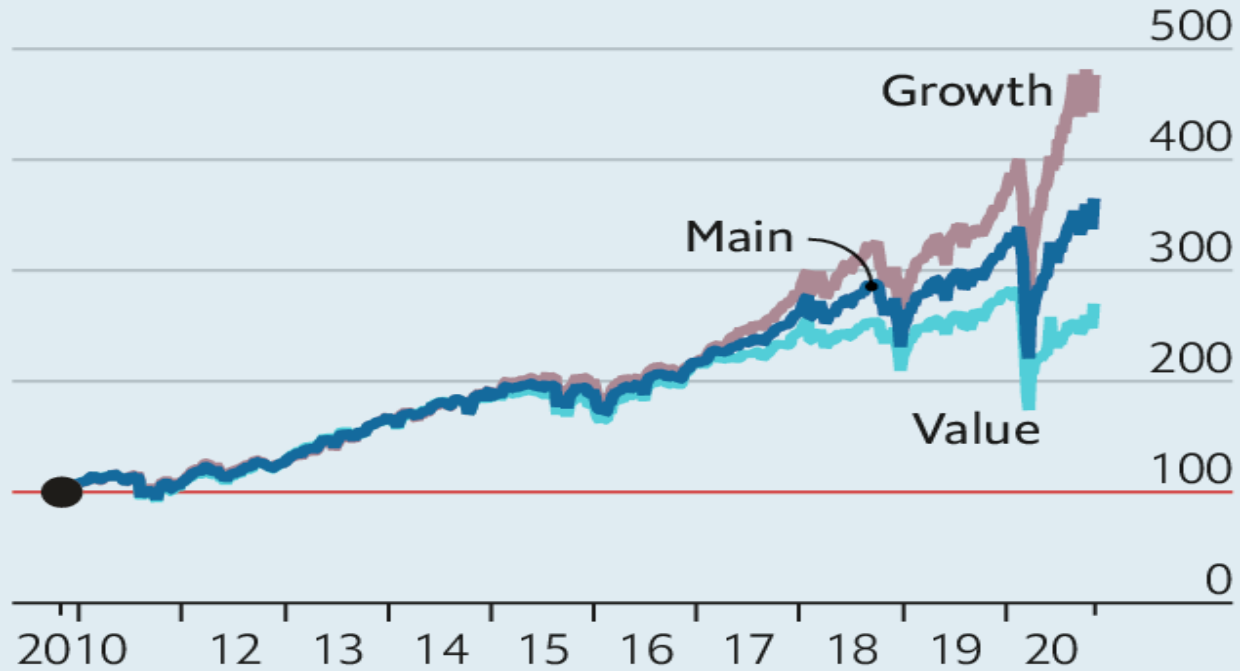
# Growth crushes Value

Underneath the recovery in the indexes was a tale of two sectors

## Not by the book

Russell 3000 stockmarket index, total returns

November 1st 2010=100



Source: Refinitiv Datastream



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# We think this reverses

Russell 3000 Growth % of equilibrium relative to Russell 3000 Value % of equilibrium

U.S. equity styles: relative valuation

*On a relative basis, growth is more than 1.5 standard deviation expensive compared to value.*



Note: As of August 31, 2020. Source: RBC GAM

Growth to value relative performance  
Russell 3000 Growth Index / Russell 3000 Value Index



Note: As of August 31, 2020. Source: Bloomberg, RBC GAM



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# Sources of Portfolio Returns

10-year annualized				YTD			
	Value	Blend	Growth		Value	Blend	Growth
Large	11.6%	14.8%	17.9%	Large	17.0%	15.3%	13.0%
Mid	11.7%	13.2%	15.1%	Mid	19.5%	16.2%	10.4%
Small	10.8%	12.3%	13.5%	Small	26.7%	17.5%	9.0%

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

Since market peak (February 2020)				Since market low (March 2020)			
	Value	Blend	Growth		Value	Blend	Growth
Large	18.9%	29.9%	43.2%	Large	92.2%	96.1%	109.0%
Mid	23.2%	31.1%	40.0%	Mid	117.9%	119.5%	117.7%
Small	35.4%	38.8%	39.6%	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. *Guide to the Markets* – U.S. Data are as of June 30, 2021.



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# US Consumer – Financial Position

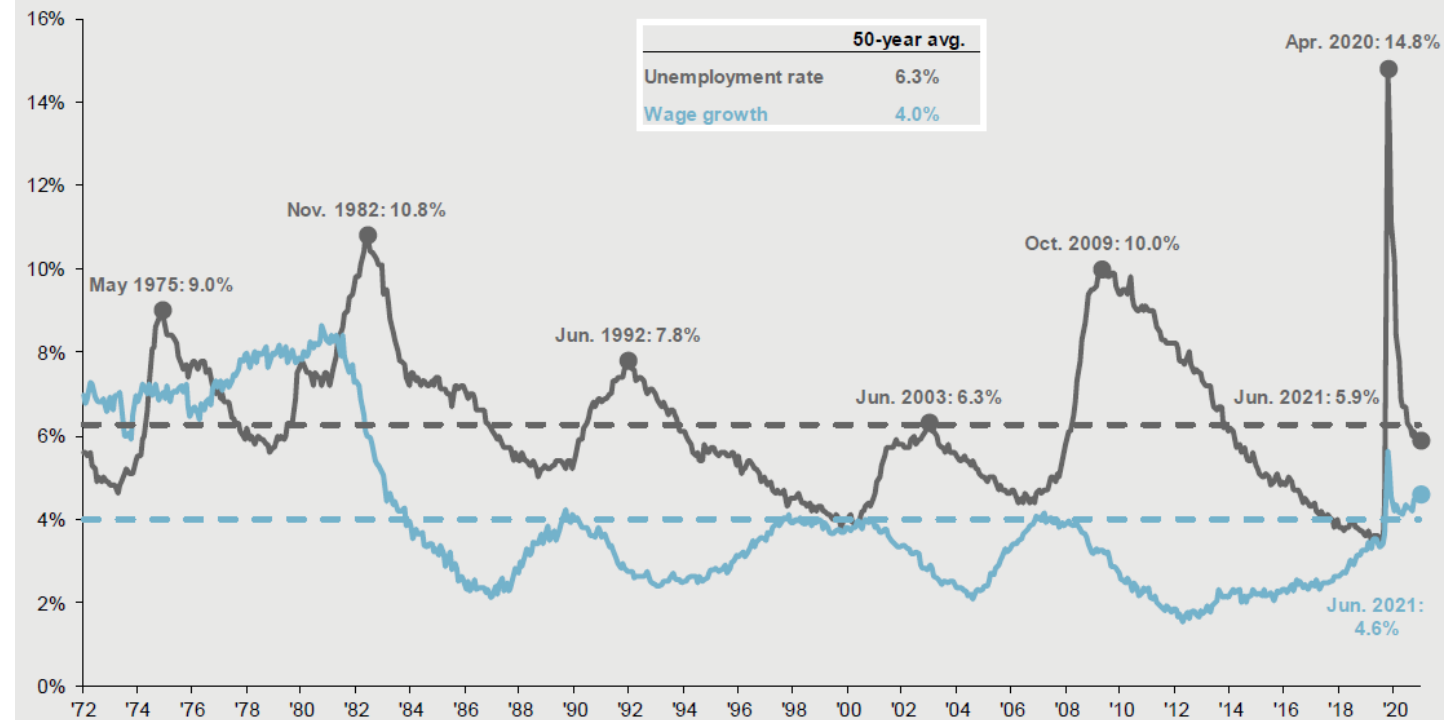
## U.S. debt to GDP ratios

Percentage of nominal GDP



## Civilian unemployment rate and annualized y/2y growth for private production and non-supervisory workers

Seasonally adjusted, percent



Source: BLS, FactSet, J.P. Morgan Asset Management.  
 Guide to the Markets – U.S. Data are as of June 30, 2021.

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.  
 Guide to the Markets – U.S. Data are as of June 30, 2021.



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# 4. Our Strategy



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# Investment Principles

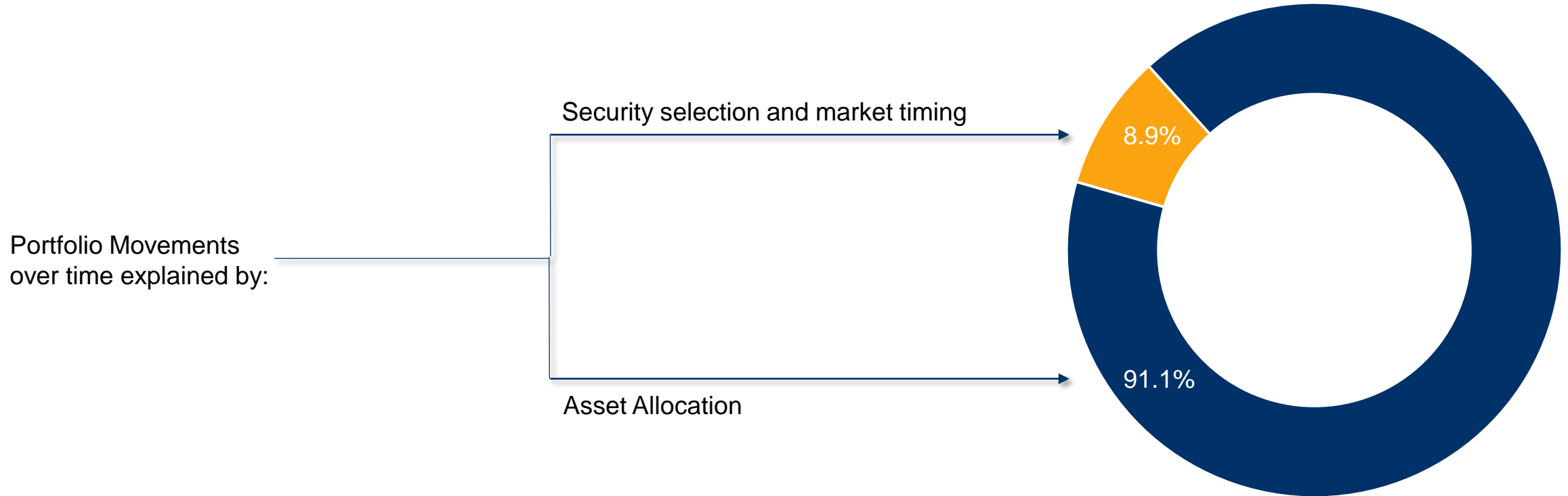
Since asset allocation is key to portfolio performance, our investment process is therefore guided by the following principals

- We look at broad range of asset classes and divide them into sub categories or cubes
- Critical decisions are made on how to weight each cube, and to re-balance based on evolving market conditions
- We purchase both individual securities, funds and/or ETF depending on what we judge the best way to weight the portfolio given market conditions
- Avoiding risk in sectors where risks outweigh return potential is key to this process, and often the decision is made to have no exposure to a particular cube



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# Asset Allocation



Sources: Vanguard calculations, using data from Morningstar, Inc.

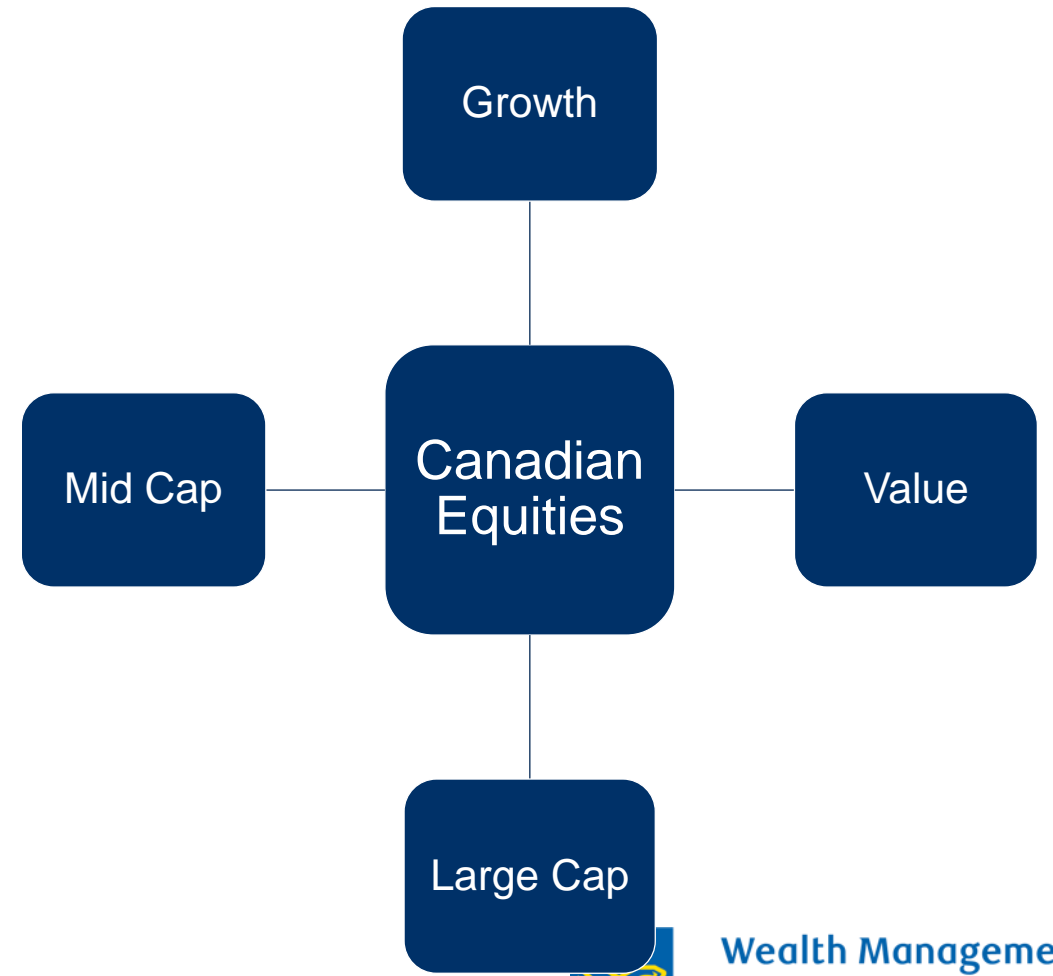
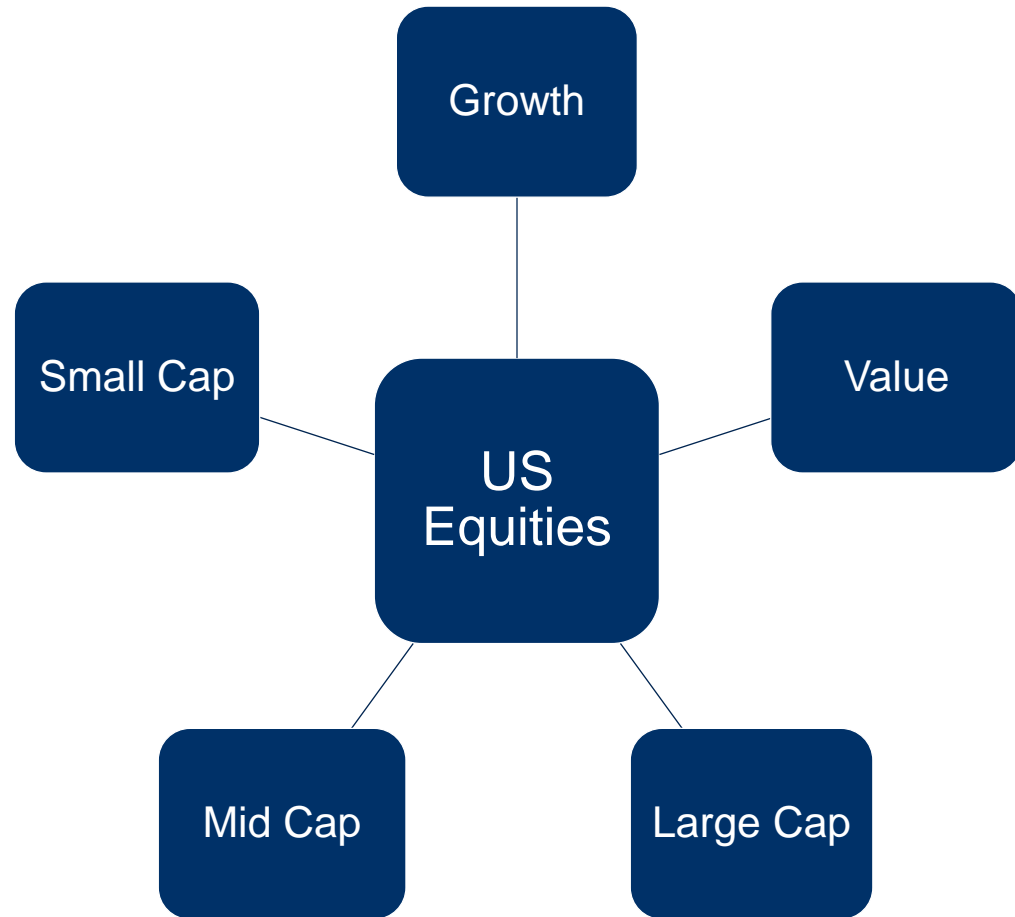
Notes: Calculations are based on monthly returns for 709 American funds from January 1990 to September 2015. more details of the methodology were presented in Scott et al. (2017).



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# Investment Cubes

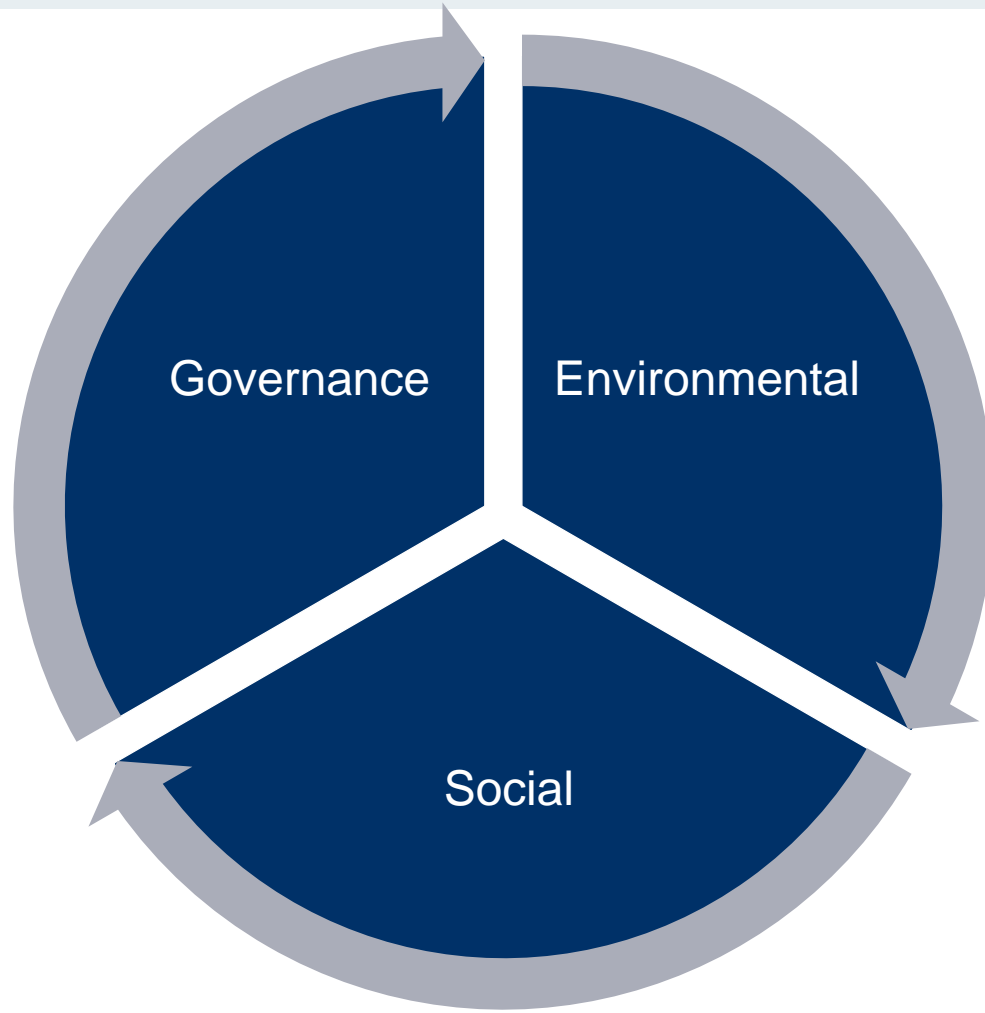


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# International Cubes and FI cubes



# Portfolio Construction and ESG

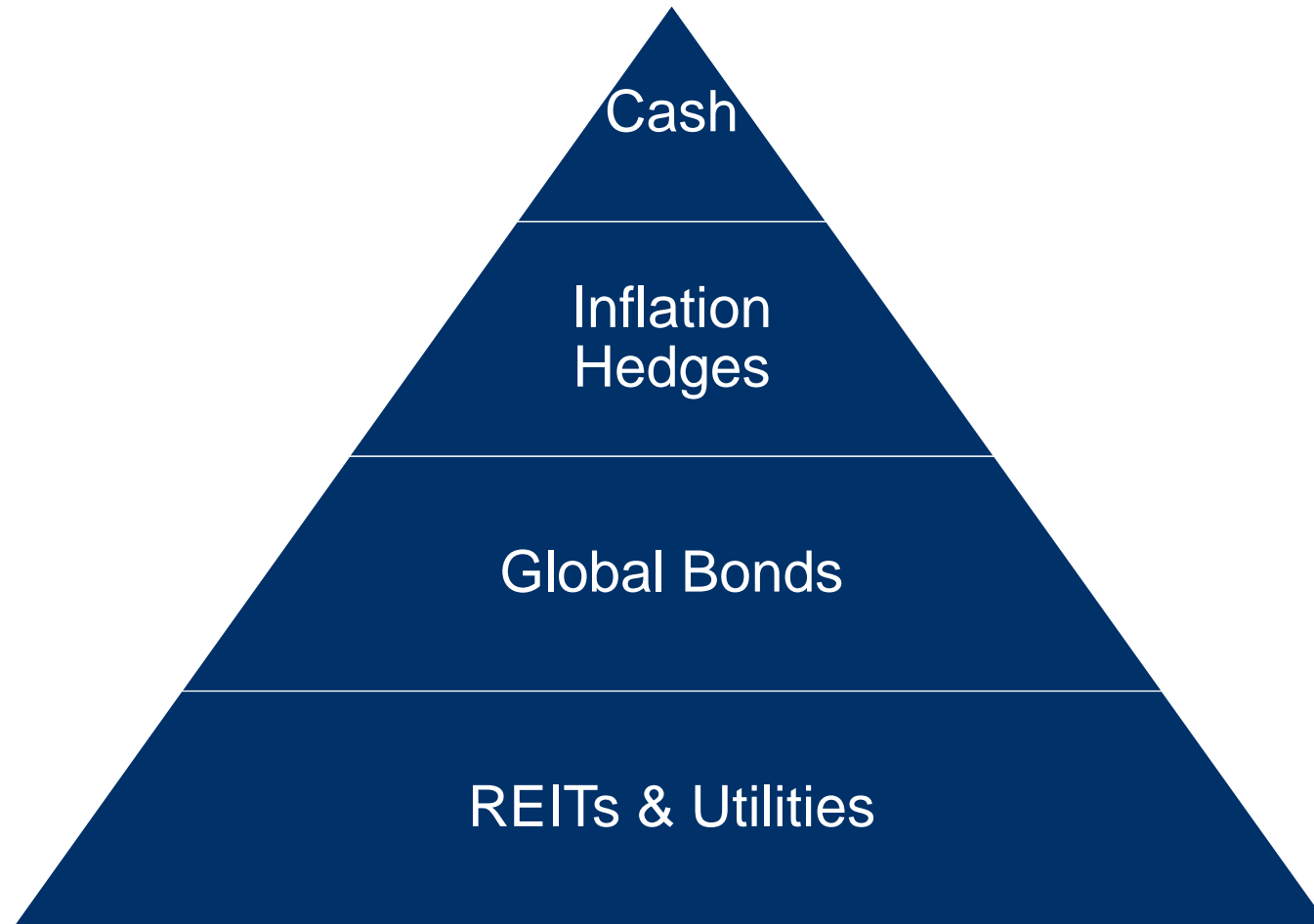


- Our portfolios are structured through ESG integration – both positively in security selection and reducing any exposure to traditional poor ESG rated industries such as oil and gas, mining or other non environmentally friendly industries
- While we use outside sources and ESG ratings agencies, we make the final decision internally.



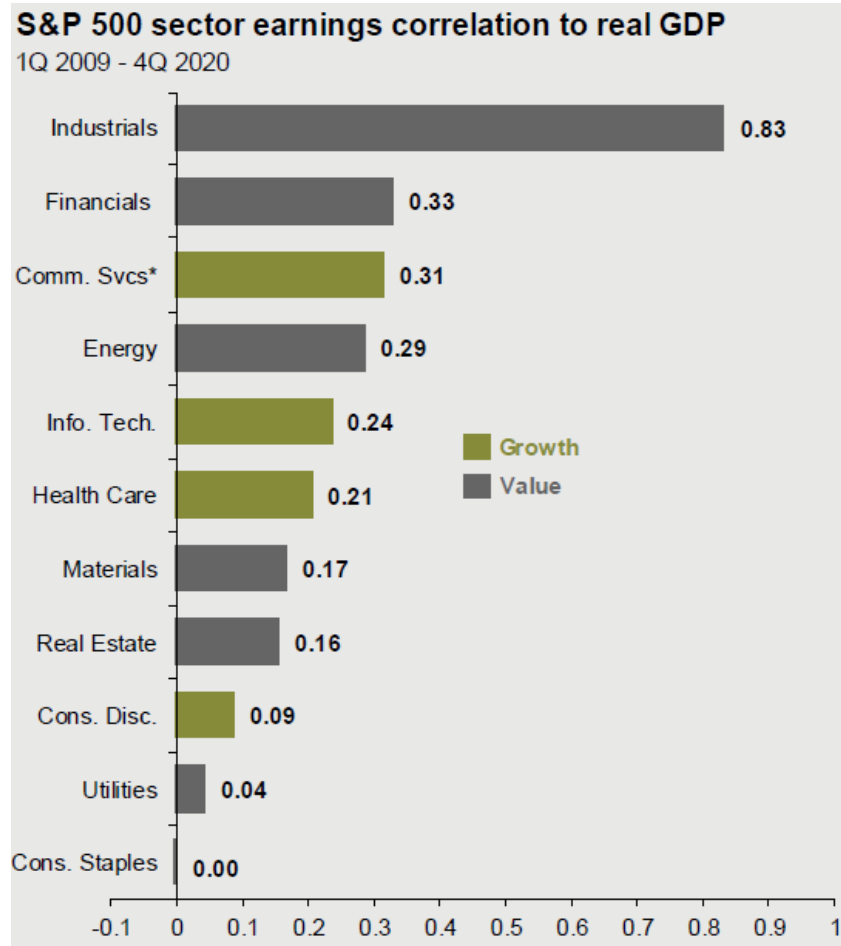
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# The New Income Portfolio



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# Low Correlation Industries



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.  
*Guide to the Markets – U.S.* Data are as of June 30, 2021.

- FI's role in a portfolio is low correlation to economic conditions.
- In order to replace FI, we searched for industries that possess similar qualities.
- Both utilities and real estate have minimal correlations to GDP, with 0.04 and 0.16 respectively



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# What sets us apart



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# 5. Service Model



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# Ongoing service relationship

Given the size of the portfolio, the ongoing service relationship is an integral part of meeting client expectations

- Regular reporting both consolidated as well as segmented
- Quarterly meetings to review most relevant items
- Annual review to compare original financial plan with actual results

Short term markets movements are impossible to predict but when they occur it is essential that the RBC team interact with the client when new risk or opportunities present themselves



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# Thank you!

## Questions?

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# 6. Appendix



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# Appendix I – Overview of Investment Cubes

Allocation	Security Description	Allocation	Security Description	Allocation	Security Description
	United States		Canada		International
Growth	RBC Model Portfolio	Large Cap	RBC Model Portfolio	Global	iShares ESG Aware MSCI EAFE ETF
Value	RBC Model Portfolio	Mid Cap	Beutel Goodman Canadian Equity	Europe	RBC Model Portfolio
Large Cap	Fidelity US Focused Fund	Value	RBC Model Portfolio		iShares MSCI Europe ESG ETF
Mid Cap	iShares ESG S&P Mid-Cap ETF	Growth	RBC Model Portfolio	Japan	iShares MSCI Japan ESG ETF
Small Cap	Fidelity Small Cap America			China	KraneShares
				International	Capital Group Global Equities Invesco International Companies
				Emerging Markets	iShares ESG Aware MSCI Emerging Markets ETF

Allocation	Security Description	Allocation	Security Description	Allocation	Security Description
US Corporate Bonds	No Weight	Precious Metals	iShares Silver Trust	US Private Equity	
US High Yield Bonds	iShares Broad USD HY Corporate Bond	Gold	iShares IAU	International PE	
Global Bonds	iShares Global Green Bond ETF	Energy	No Weight	Venture Capital	
Leveraged Loans	S&P Global Leveraged Loan Index	Agriculture	Invesco DB Agriculture Fund	Hedge Funds	
US Treasury Bonds	US Government 10Y	Alternative Currencies	No Weight	Tail Risk Hedging	
TIPS	TIPS / RINF	Real Estate	RBC Model Portfolio	Volatility Strategies	

