RBC Dominion Securities Inc.

Higher For Longer

What a higher rate environment means for investors

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Introduction

As investors plan for their financial goals, we think clients should prepare for rates remaining higher for longer and how to optimize asset allocations.

- From the end of the financial crisis in early 2009 to the end of 2021, interest rates were kept artificially low by central banks everywhere, even going negative in Europe.
- This period produced what some investors called “TINA”, there is no alternative. Strategies based on low rates, low cap rates, multiple expansion all produced above average returns.
- This ended in 2022, when almost all asset classes lost value and assets that depended on low rates lost the most.
- Looking long term, the ten-year US treasury has averaged between 3-5%, and investors need to factor in higher rates than the last ten years.

Overall Recommendations

- Fixed Income Market is most attractive in 20 years.
- Asset allocations need to be rethought to take advantage of the new higher for longer interest rates.
- Dividends will likely once again return to be an important component of total return, but need to focus on sustainable dividends.
- Commodities rarely do well in high interest environments with recession risks flashing.
- Ensure exposure to long term growth themes such as internet infrastructure, aerospace and healthcare.

Clear As Mud

Strong Opposing Forces on Future Interest Rate Moves

Forces Pushing Rates Higher

- Inflation Reduction Act and Chips Act will provide substantial fiscal stimulus in 2024.
- American consumer is in good shape with long-term fixed rates muting impact on higher rates.
- Large Capex projects to move supply chains back on shore.
- Tight labor markets leading to strikes in many areas of the market.
- Unpredictable geo-political risk.

Forces Pushing Rates Lower

- Inverted Curve points to imminent recession.
- Possible second wave of regional bank stress.
- Chinese Economy under stress with falling property values, local government debt levels, and supply chain impacts.
- Unpredictable geo-political risk.

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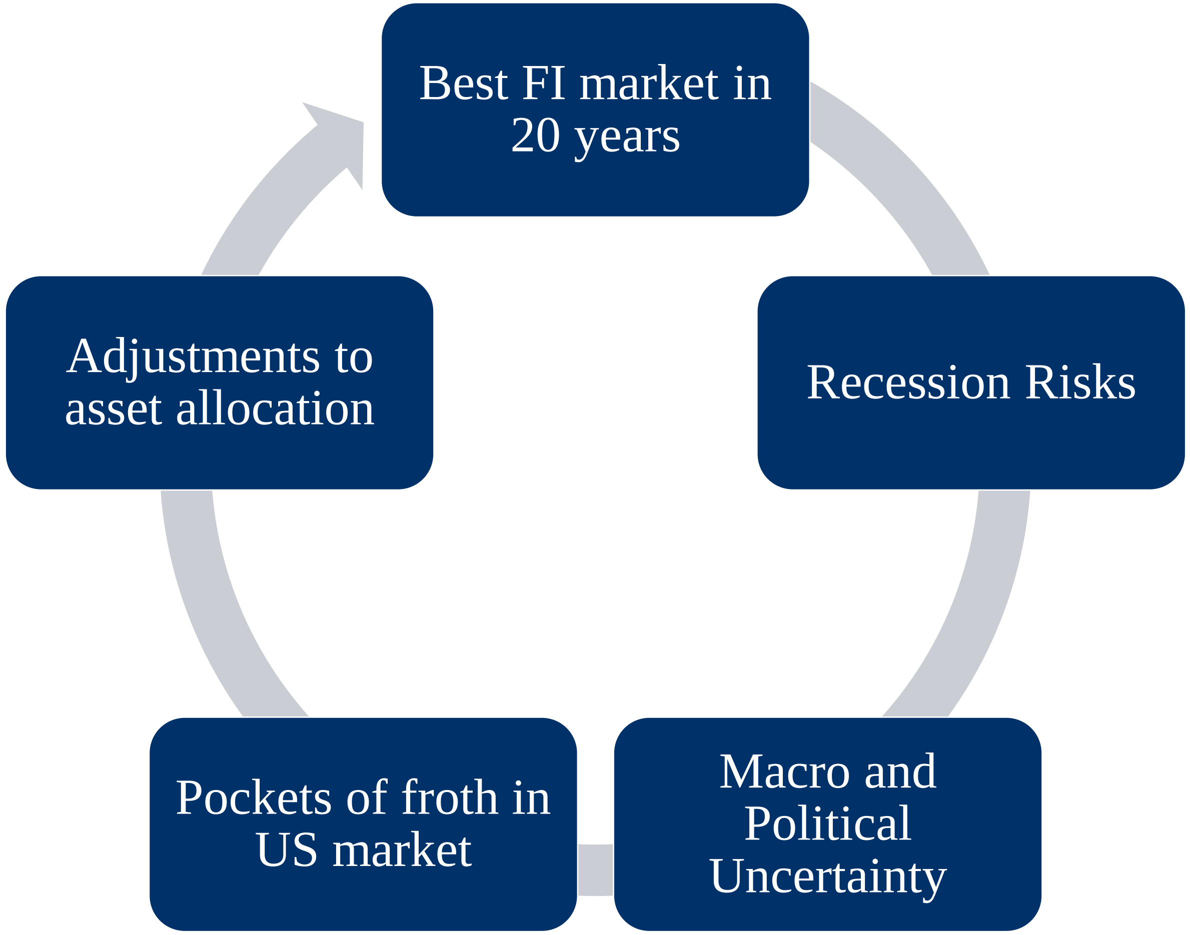
Implications for Investors



1. Interest Rates

Inverted Yield Curve

Term		YIELD	1D Chg	1M Chg	1Y Chg		YIELD	1D Chg	1M Chg	1Y Chg	
1M	CANADA	4.90				USA	5.25				August-18-23
3M		5.12					5.26				
1Y		5.13					5.05				
2YR		4.76	(0.01)	0.09	1.38		4.92	(0.01)	0.16	1.72	
5YR		4.09	(0.03)	0.19	1.10		4.38	(0.03)	0.37	1.35	
10YR		3.74	(0.02)	0.25	0.90		4.25	(0.02)	0.47	1.37	
30YR		3.56	(0.02)	0.25	0.67		4.38	(0.01)	0.49	1.24	
		PRIME	7.20				PRIME	8.50			
		3M CDOR	5.4975	CORRA	5.00		3M LIBOR	5.64	SOFRRATE	5.30	

Sources: RBC Wealth Management

- Rates are higher than anytime since before the 2008 financial crisis.
- In the last month, the longer end of the curve has moved more than the short end.
- A flattening of the yield curve typically occurs right before a recession starts.

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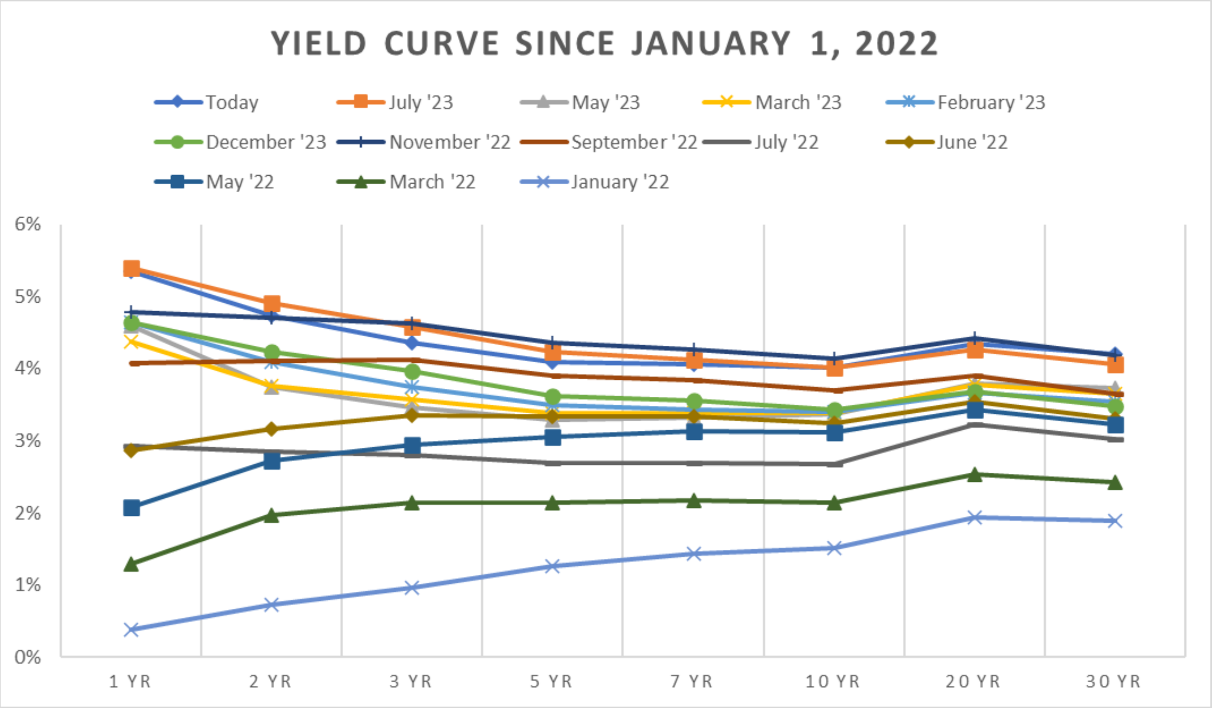
Rate Hikes



Sources: FactSet

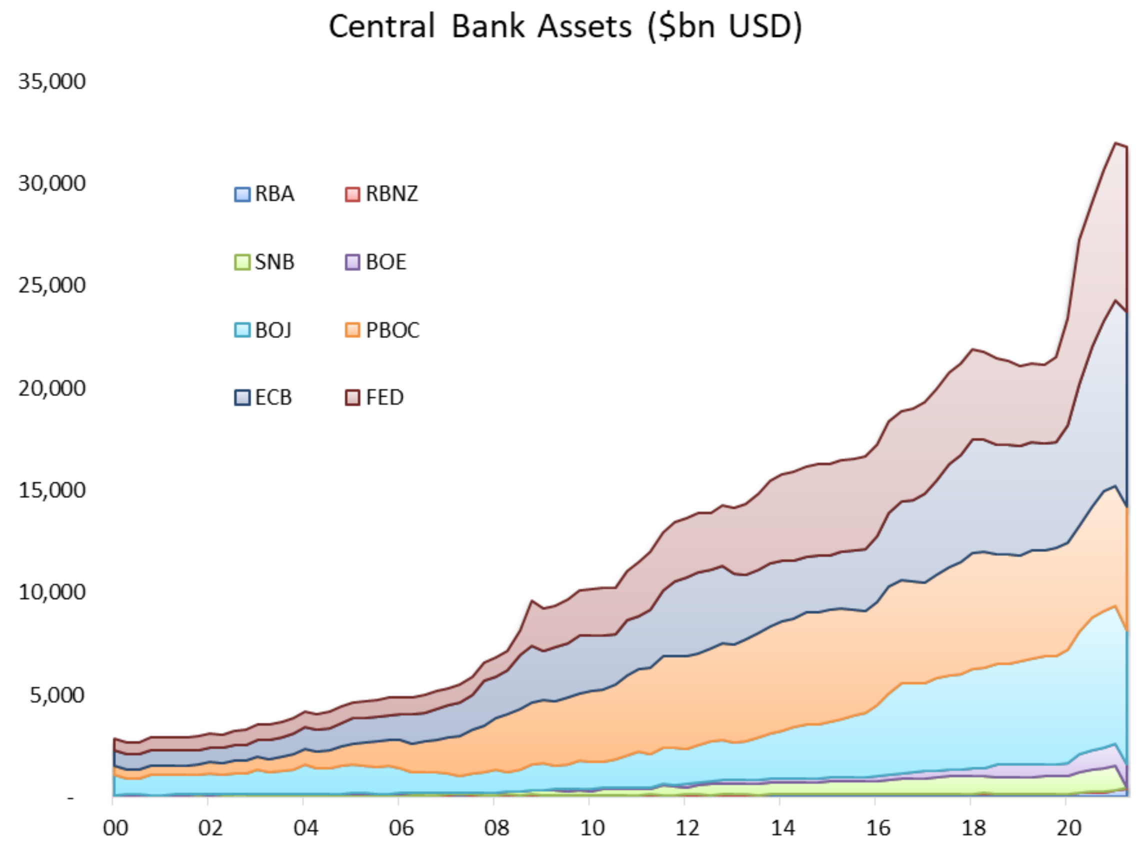
FOMC Meeting Date	Rate Change (bps)	Federal Funds Rate
July 26, 2023	+25	5.25% to 5.50%
May 3, 2023	+25	5.00% to 5.25%
March 22, 2023	+25	4.75% to 5.00%
Feb 1, 2023	+25	4.50% to 4.75%
Dec 14, 2022	+50	4.25% to 4.50%
Nov 2, 2022	+75	3.75% to 4.00%
Sept 21, 2022	+75	3.00% to 3.25%
July 27, 2022	+75	2.25% to 2.50%
June 16, 2022	+75	1.50% to 1.75%
May 5, 2022	+50	0.75% to 1.00%
March 17, 2022	+25	0.25% to 0.50%

- Since the beginning of 2022, the Federal Reserve started an aggressive rate hike campaign, raising the rate by 500 basis points or 5%.

- Since July 2022, the yield curve has been inverted. Currently, it's the longest inversion since the one ending in 1980, which lasted 444 days.

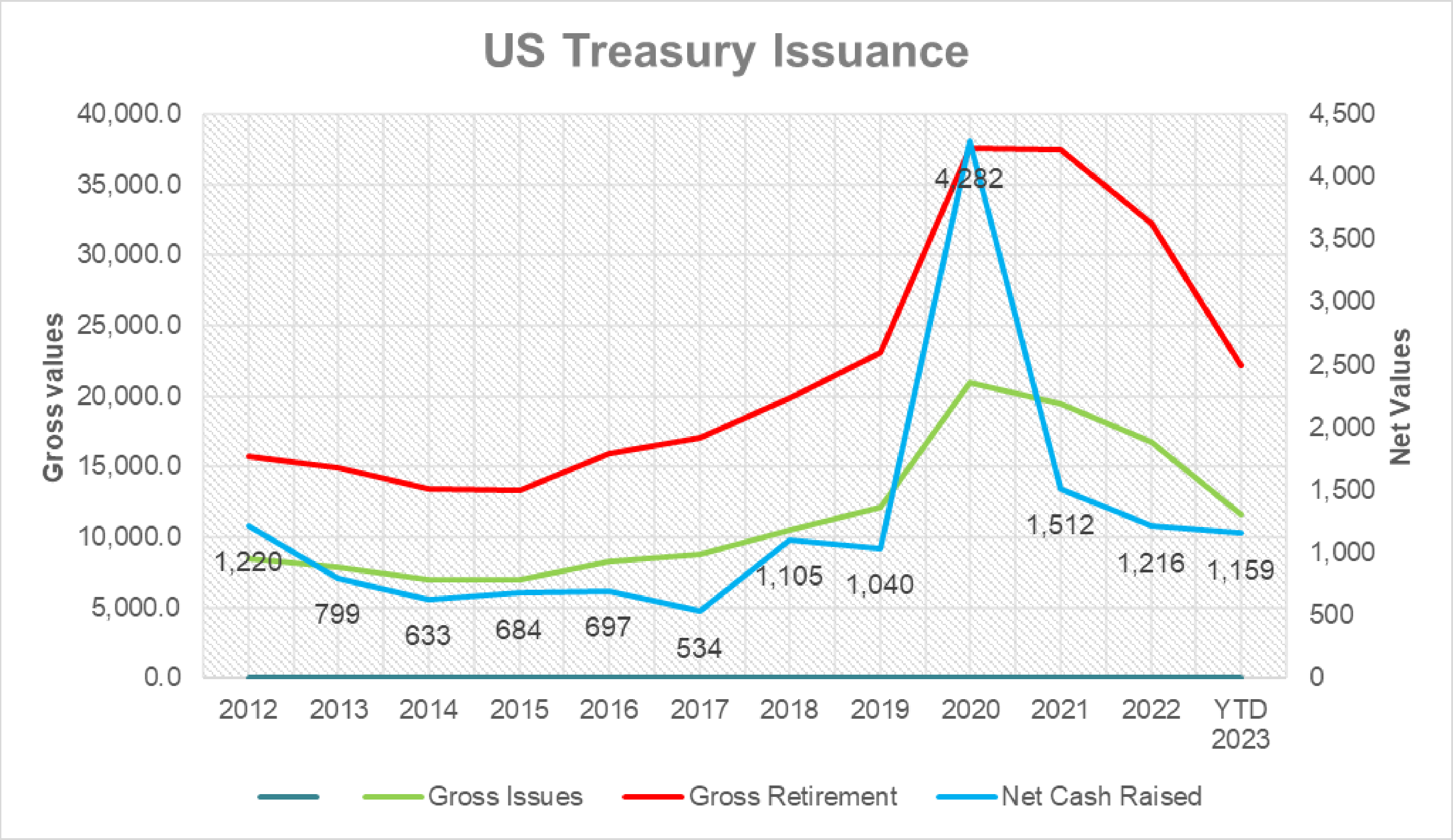
Hotel California

Central banks have to date been unable to taper



Sources: RBC Wealth Management

Government Issuance



Sources: U.S. Department of the Treasury

- Year-to-date net issuance is already on track to surpass 2021 as new regulations roll in.
- New issuance has been absorbed mostly by individuals, on track to double their historical size.
- The Fed remains on track to purchase twice the amount of treasuries they used to prior to the pandemic.

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10 Year Treasury History

Sources: TradingView

- The US 10-year is the most important benchmark bond for pricing risk assets.
- Over long periods of time, the 10-year has averaged between 3-5%, consistent with 300-year studies of the UK rate market.
- The periods of time like 2008-2021 are outliers, much like the 60s/70s when rates were much higher.
- Actually, the current 10-year yield at 4.15% is within the long-term average.

To Perform or Not to Perform

US Stocks that will potentially outperform or underperform in high-interest environments

Performers

- Long-duration stocks that are less rate sensitive: Microsoft, Palo Alto Networks
- Financial institutions with improving net interest income/margin: USB, JP Morgan, Bank of America
- Defensive positions in specific sectors
  - Consumer Staples: Costco, Walmart
  - Health Care: UnitedHealth, CVS, Johnson & Johnson.

Underperformers

- Real-estate operators that pay dividends become less attractive as risk profile for fixed-income improves: Crown Castle, Prologis.
- Utilities: Duke Energy, CMS Energy
- Telecom: Verizon, AT&T

2. Macro Minute (Forex, Commodities, Consumer)

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Tactical FX Strategy

Source: RBC Wealth Management, Bloomberg, Optuma

CAD/USD FX Rate 1-Year, Source: RBC Wealth Management

- The longer-term pattern for the CAD/USD remains that of a cycle bottoming pattern.
- The USD has appreciated against most major currencies except the Euro.

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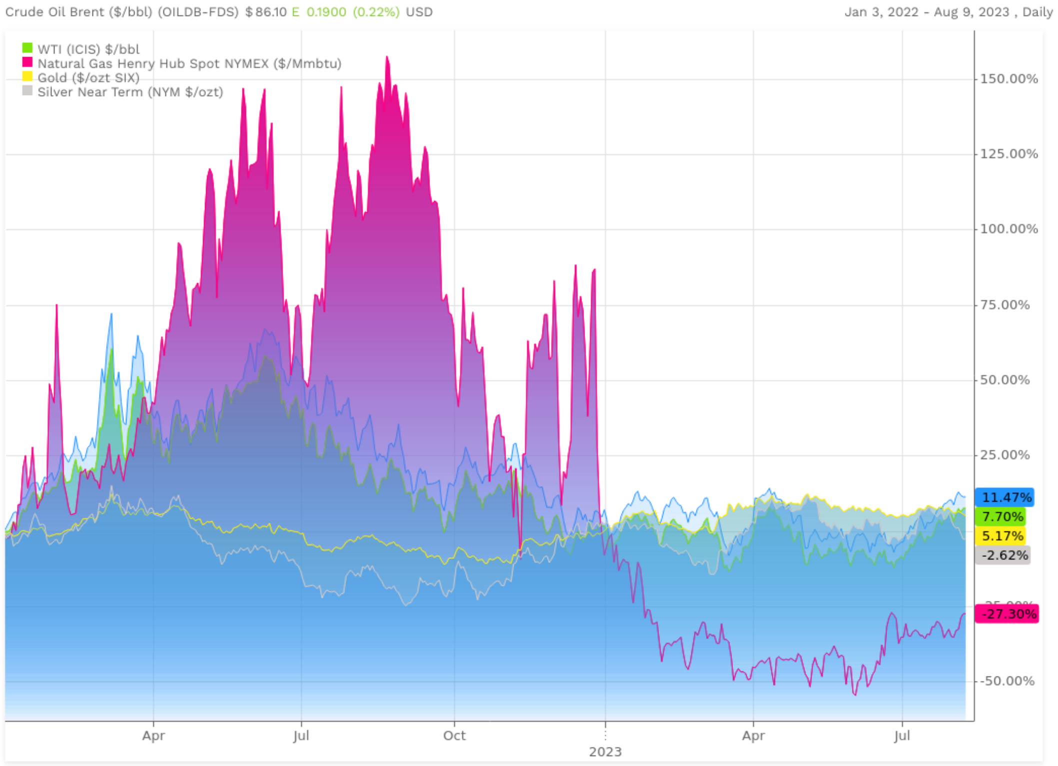
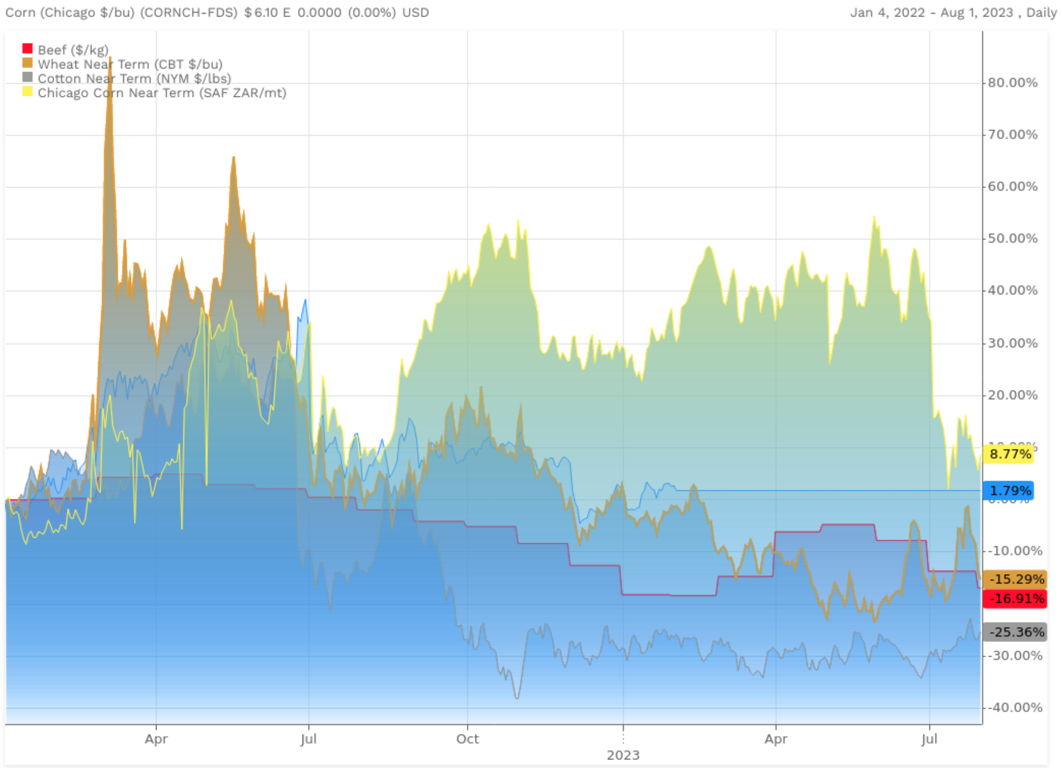
Major commodities





Sources: FactSet

- Commodities have had mixed results since 2022. The largest movements were in the energy space where the war in Ukraine rattled the markets. Although, natural gas is below those levels showing a quick re-arrangement of supply chains as the US filled the vacuum left by Russia.

- Other major commodities, graph on the right, shows a decline in most commodities except corn.

CAD/USD FX Rate 1-Year, Source: RBC Wealth Management

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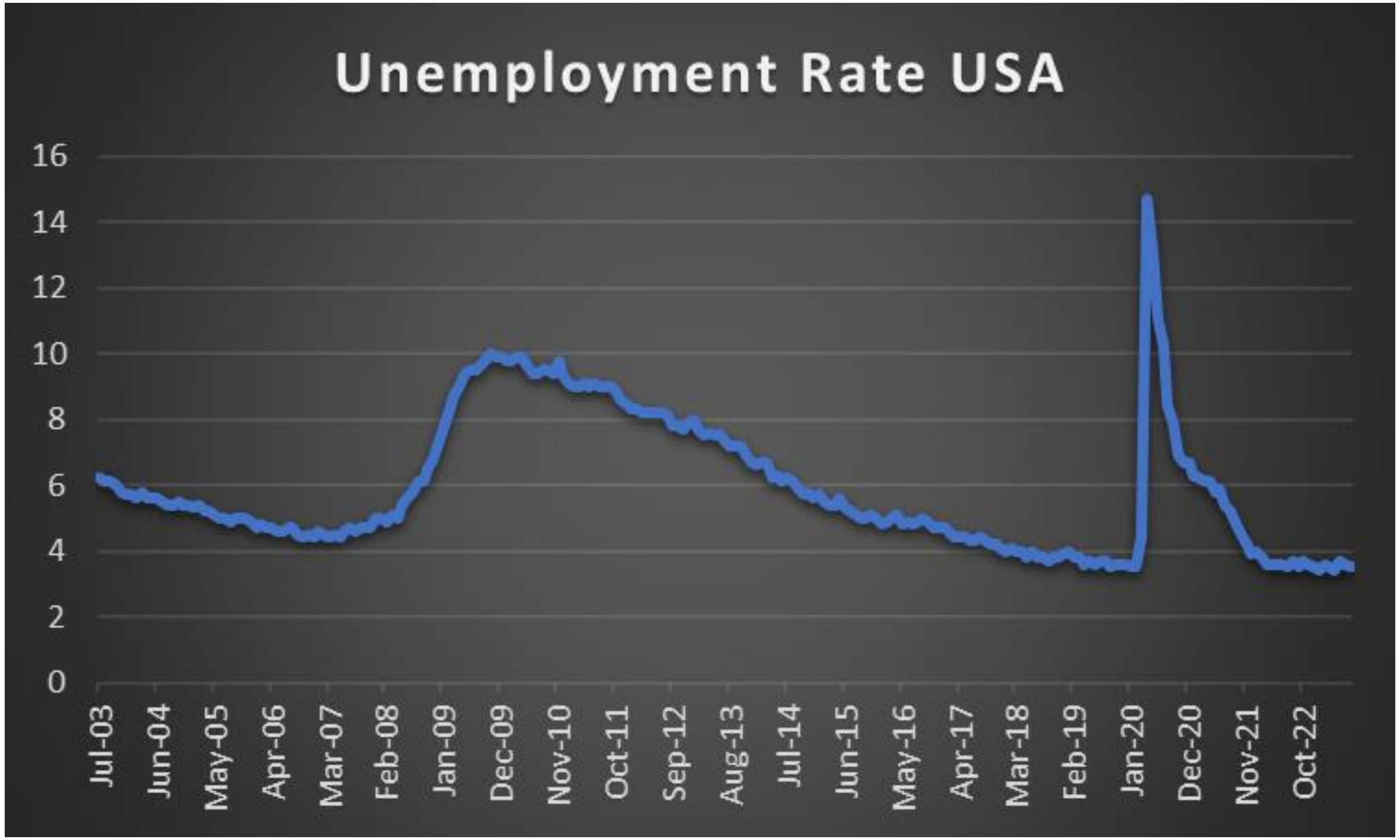
Unemployment Rate USA



Sources: Bureau of Labor Statistics

- Labor Market remains tight, as unemployment hovers near record lows of 3.5%.

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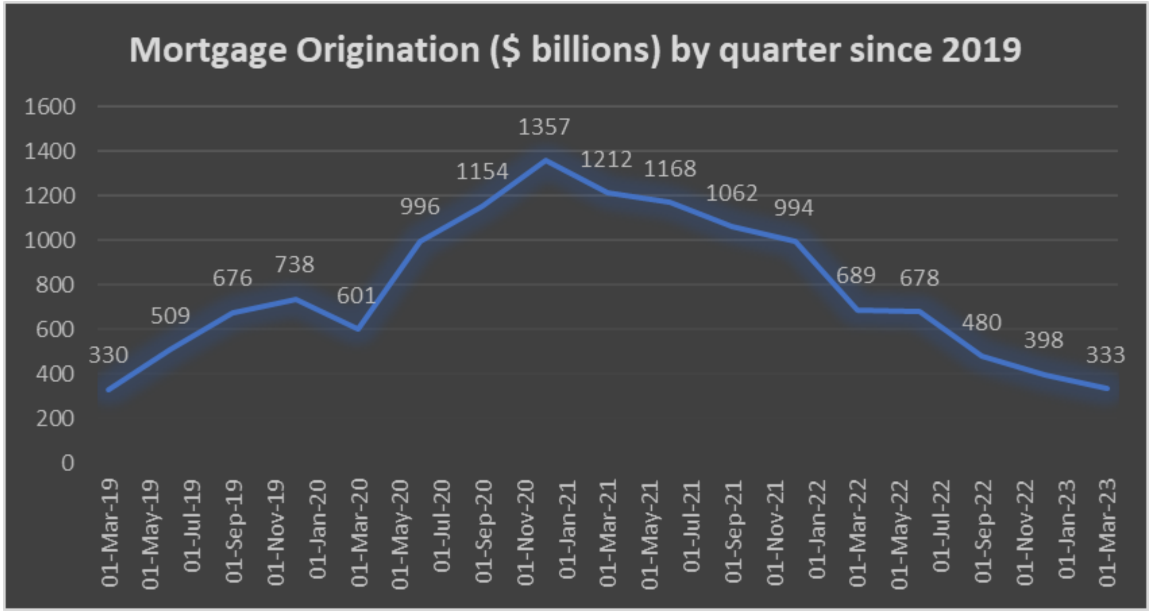
Mortgages Outstanding



Sources: Trading Economics

Mortgages Outstanding Q1 2023	Value ($ millions)	% of total
One- to four-family residences	$13,430,409	69%
Multifamily residences	$2,077,693	11%
Non-farm, non-residential	$3,588,502	18%
Farm	$355,708	2%
Total	**$19,452,312**	**100%**

- Residential mortgage outstanding totaled $15.5 trillion in the first quarter of 2023.
- Originations spiked markedly during the pandemic. Since March 2020 when rates dipped, there have been nearly $10.5 trillion in mortgage originations.
- Many were able to re-finance at record low rates, which will help the consumer in the short-term.

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3. Government intervention

Pandemic Relief Overview

Legislation	CARES Act	CAA	ARPA
Signed into law	27-Mar-20	Dec. 27, 2020	11-Mar-21
	Key Components		
Direct payment/EIP	$293 billion ($1,200)	$166 billion ($600)	$402 billion ($1,400)
Unemployment	$268 billion ($600)	$120 billion ($300)	$206 billion ($300)
Small business	$377 billion	$325 billion	$54 billion
Community development	$5 billion	$12 billion	$362 billion
Transportation	$71 billion	$45 billion	$43.2 billion
Vaccine develop/distribute	$28 billion	$69 billion	$93 billion
Schools	$31 billion	$82 billion	$176 billion
Rent assistance	$17 billion	$25 billion	$21.6 billion
Nutrition & Agriculture	$25 billion	$26 billion	$22.7 billion
U.S. Postal Service	$10 billion (loan)	$10 billion (loan forgiveness)	$570 million (paid leave)
Child Care	$5 billion	$10 billion	$40 billion
Broadband	$25 billion	$7 billion	$7 billion plus
Coronavirus Relief Fund	$150 billion	Extended to 12/31/21	
Employee Retention Credit	$55 billion	Extended to 6/30/21	Extended to 12/31/21
Lookback for EITC/CTC		Created	Expanded
Total appropriations	$2.2 trillion	$910 billion	$1.9 trillion

Sources: U.S. Department of the Treasury

The American Rescue Plan Act (ARPA) was the third in a series of three major pieces of COVID-19 relief legislations. First there was the CARES Act, followed by the Consolidated Appropriations Act (CAA), and finally, the American Rescue Plan Act (ARPA). The table to the left shows the break-down.

The American Rescue Plan Act of 2021, the latest stimulus package to be considered by Congress during the pandemic, follows in the wake of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 and the nearly $900 billion stimulus included in the Consolidated Appropriations Act of 2021, passed in December 2020. The Act extends some aspects of those bills while also creating new recovery strategies.

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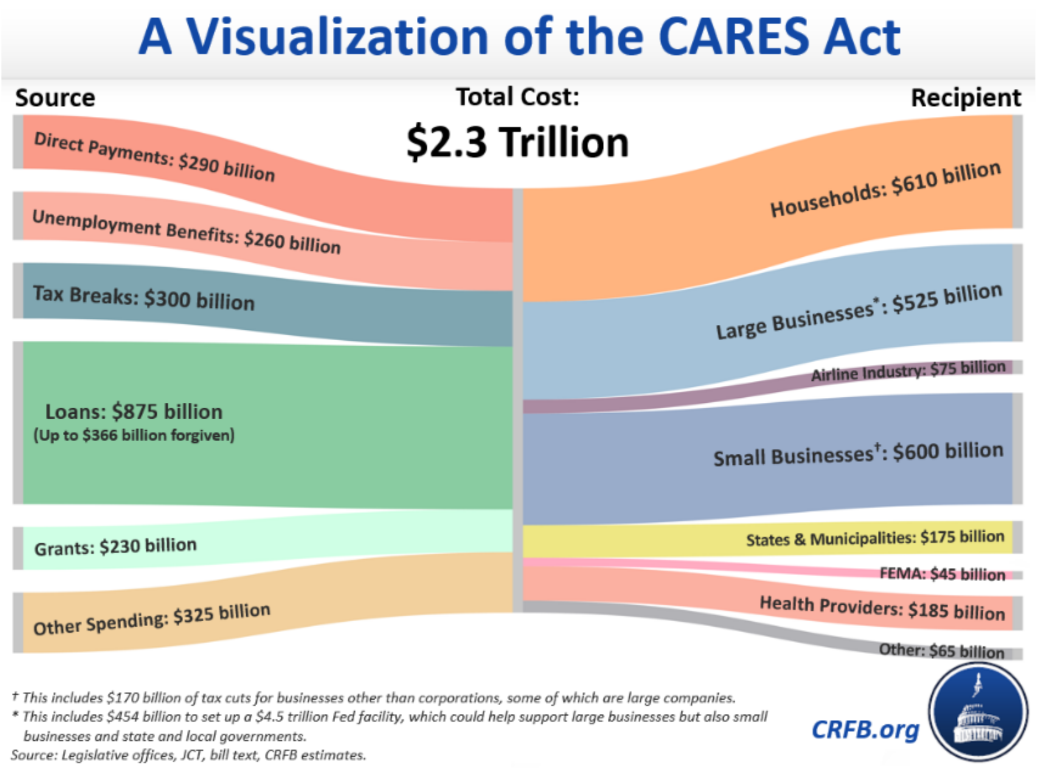
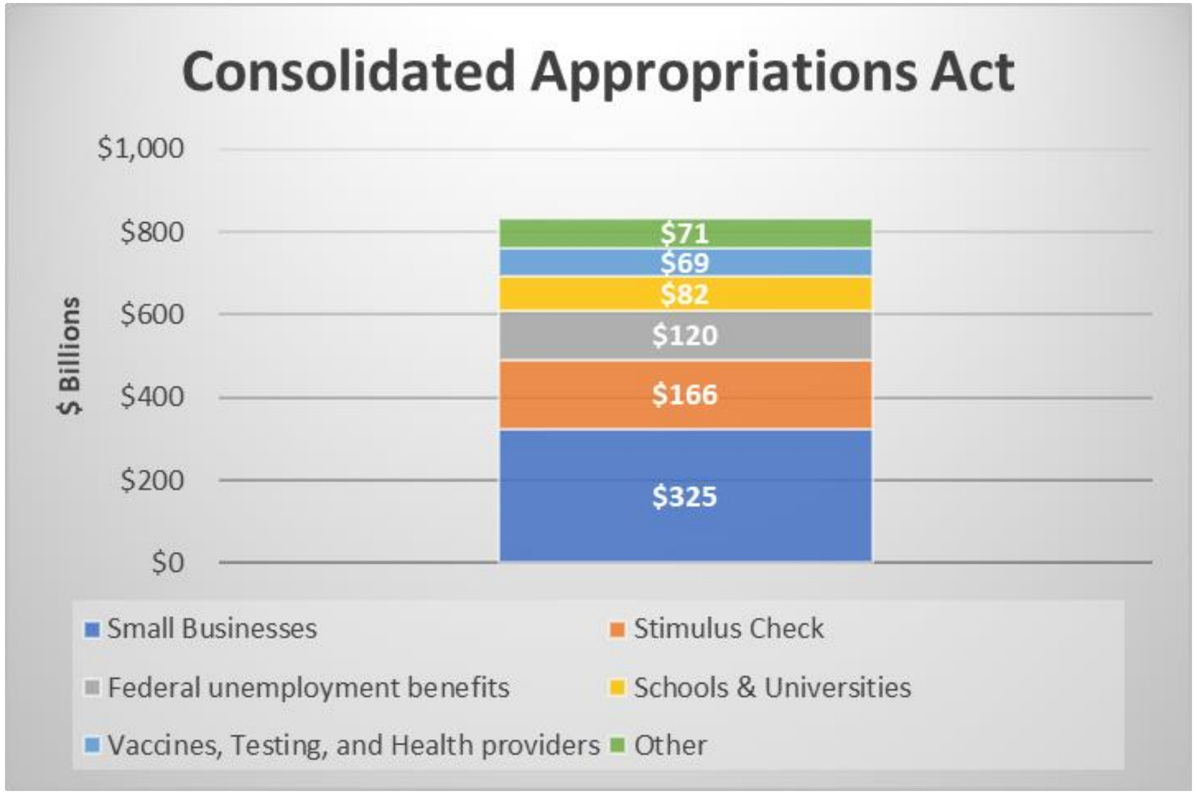
Pandemic Relief Overview

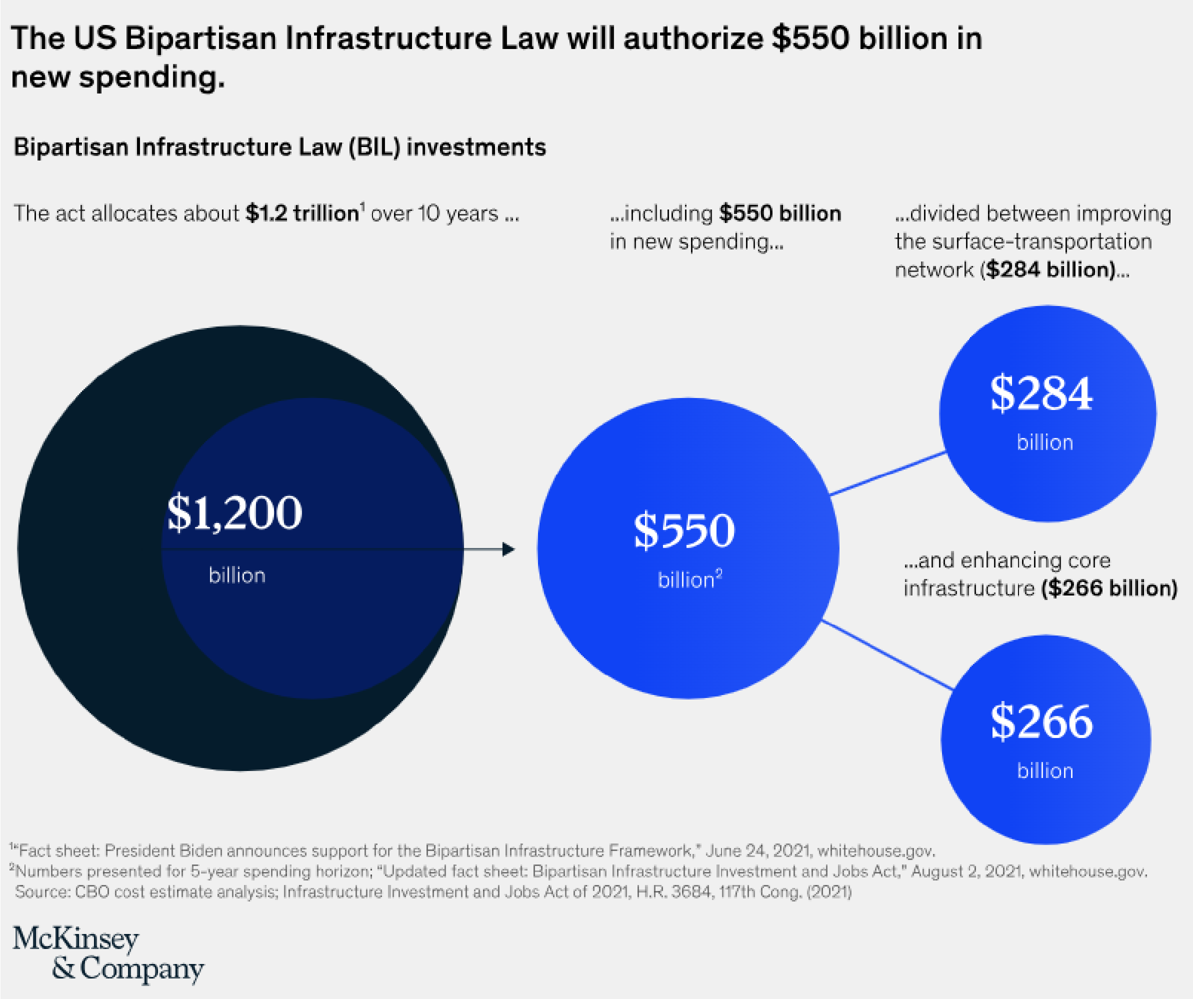


Sources: U.S. Department of the Treasury. CARES Act was passed on March 27, 2020



Consolidated Appropriations Act, 2021 was passed on December 27, 2020

Bipartisan Infrastructure Law (BIL)



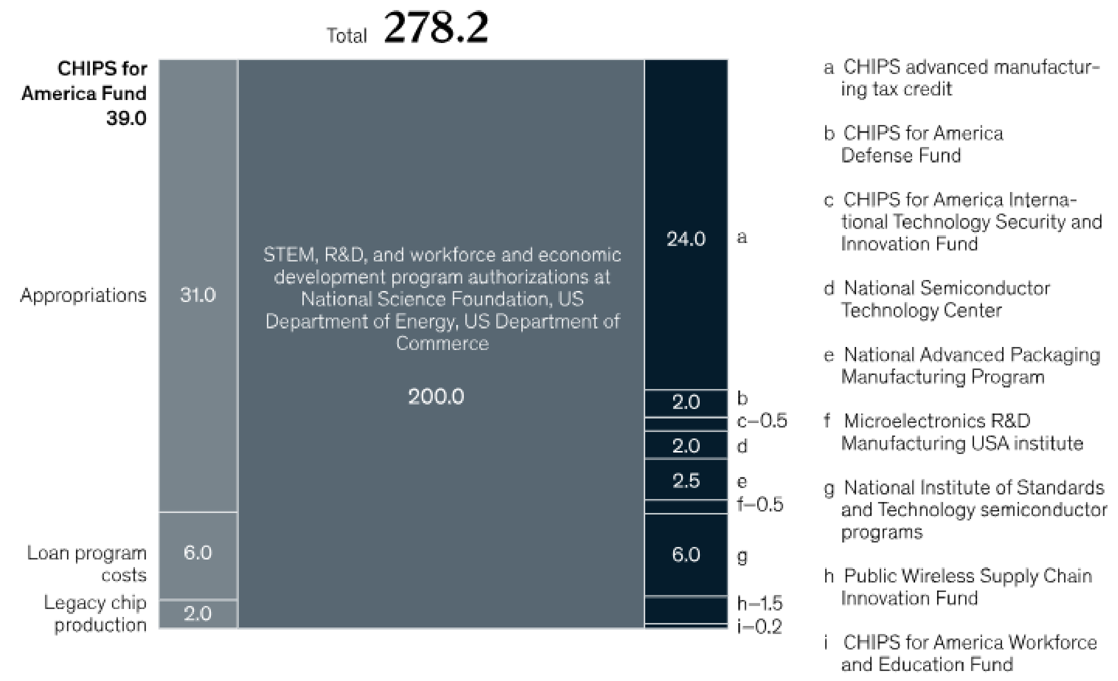
- The act focuses on modernizing the country's aging infrastructure through extensive upgrades for roads and bridges. The BIL further provides funding to replace lead pipes that provide drinking water and to remediate pollution in disadvantaged communities.

- The Department of Transportation will direct the largest portion of the act's investments.

The CHIPS and Science Act

The CHIPS and Science Act of 2022 directs $280 billion in spending over the next ten years, with the bulk for scientific R&D.

CHIPS and Science Act funding for 2022–26, $ billion



Source: Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act of 2022, H.R. 4346, 117th Cong. (2022)

McKinsey & Company

- The act plans to invest $280 billion to bolster US semiconductor capacity, catalyze R&D, and create regional high-tech hubs and a bigger, more inclusive STEM workforce.
- The United States manufactures 12% of the world's semiconductors, compared with 37% in the 1990s.
- Under the CHIPS Act, taxpaying entities receive a 25% advanced manufacturing investment tax credit for investments in semiconductor manufacturing and processing equipment.

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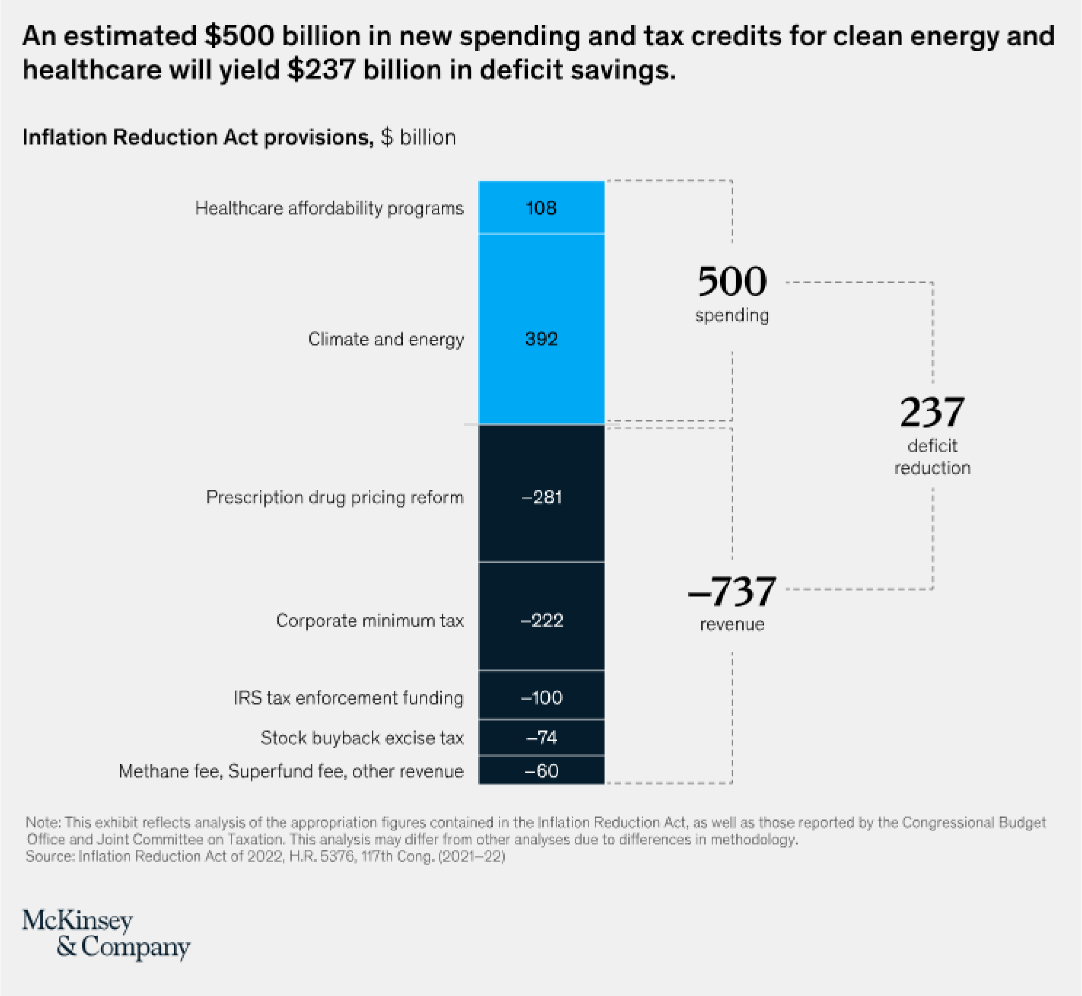
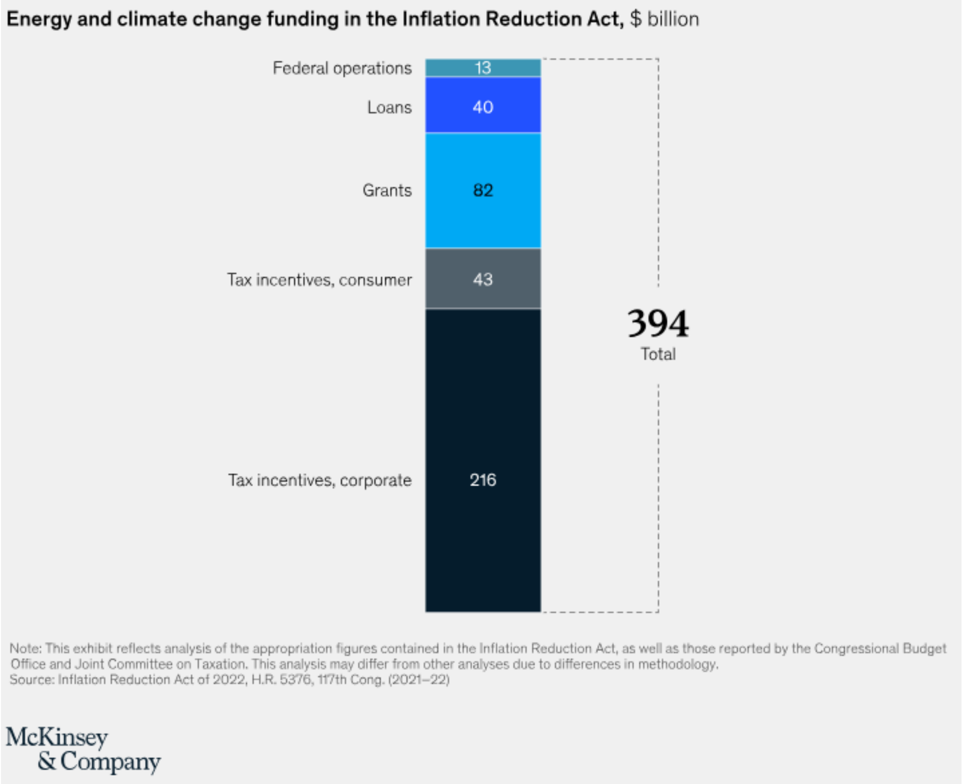
The Inflation Reduction Act





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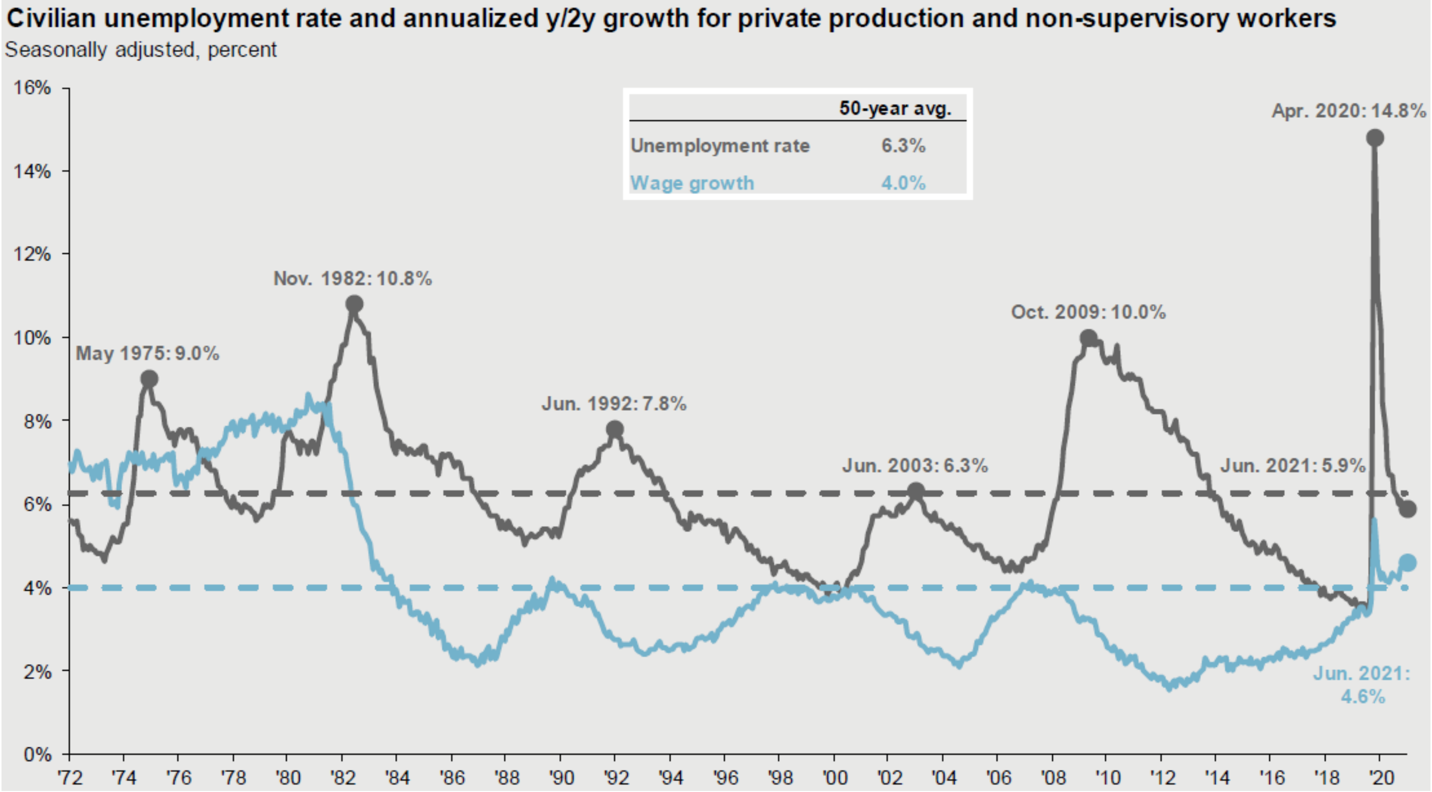
US Consumer – Financial Position



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

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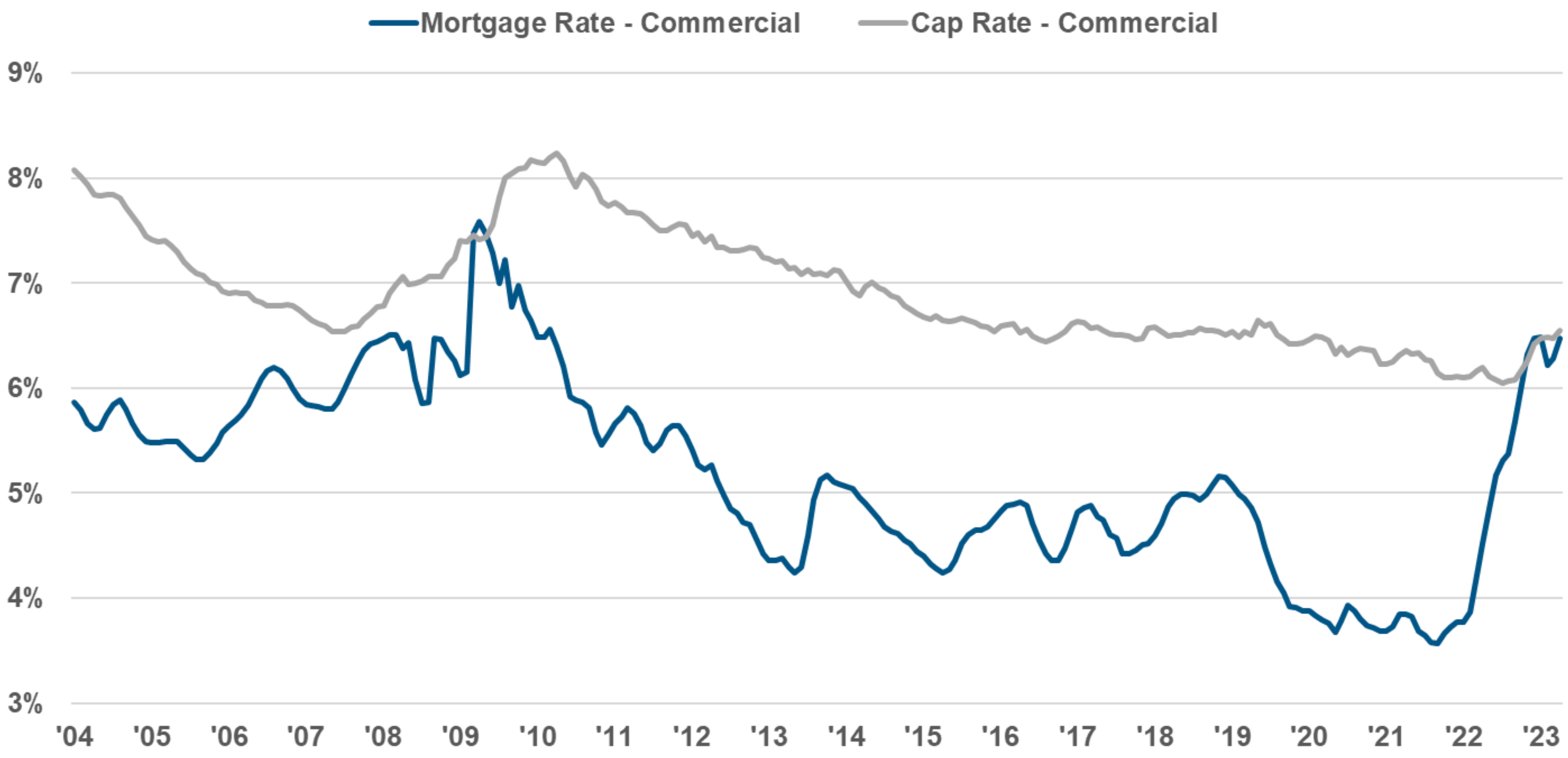
Source: FactSet, J.P. Morgan Asset Management; (Left) Bank for International Settlements (BIS); (Top and bottom right) Barclays, Bloomberg. Government, household and non-financial corporate debt refers to gross debt. General government debt is comprised of core debt instruments that include currency 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.

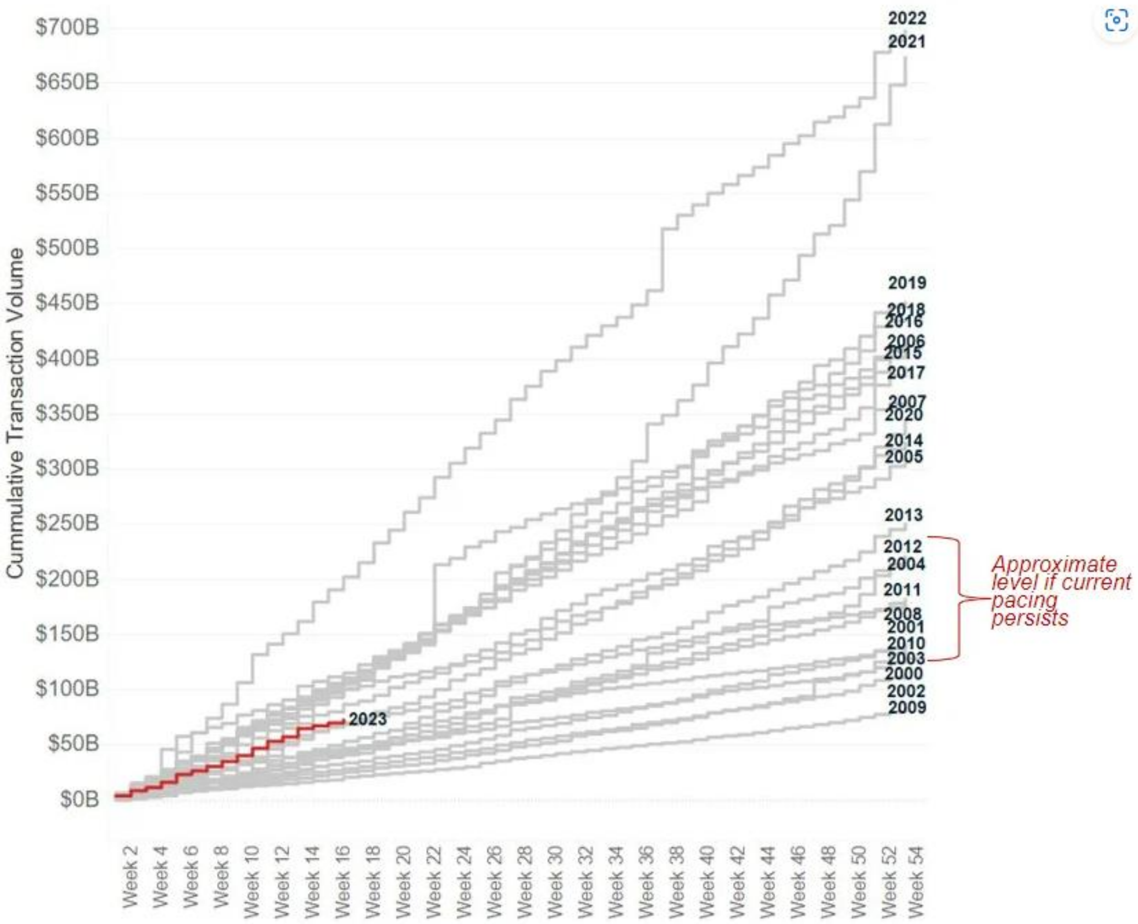
4. Commercial Real Estate

Higher Rates Impacting Real Estate

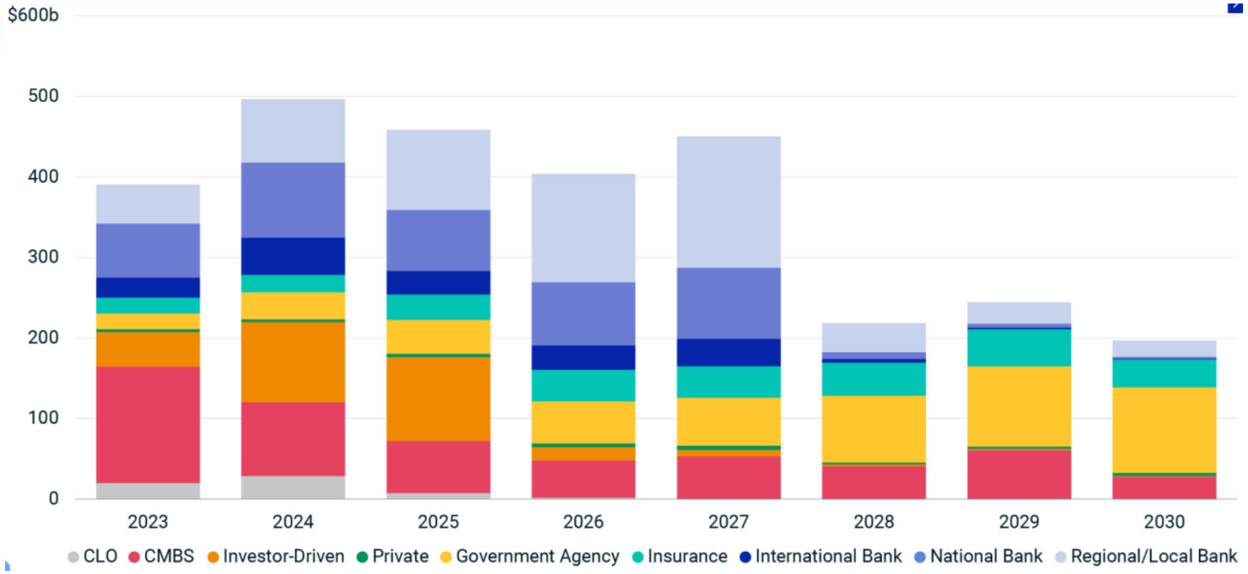


Source: PIMCO, MSCI, Real Capital Analytics, Refinitiv (Most Recent Observation: April 30)

Commercial Real Estate Overview



Note: Data through end of April 2023
Sources: Altus data; Altus Research Team



Source: McKinsey

- Transactional volume is down year-to-date in 2023, in line with levels seen during the financial crisis.
- CRE faces a tall order as $400 billion and $500 billion of loans mature this year and the next, respectively.
- The current environment is more challenging as rates are 500 bp higher and lending has gotten tighter.

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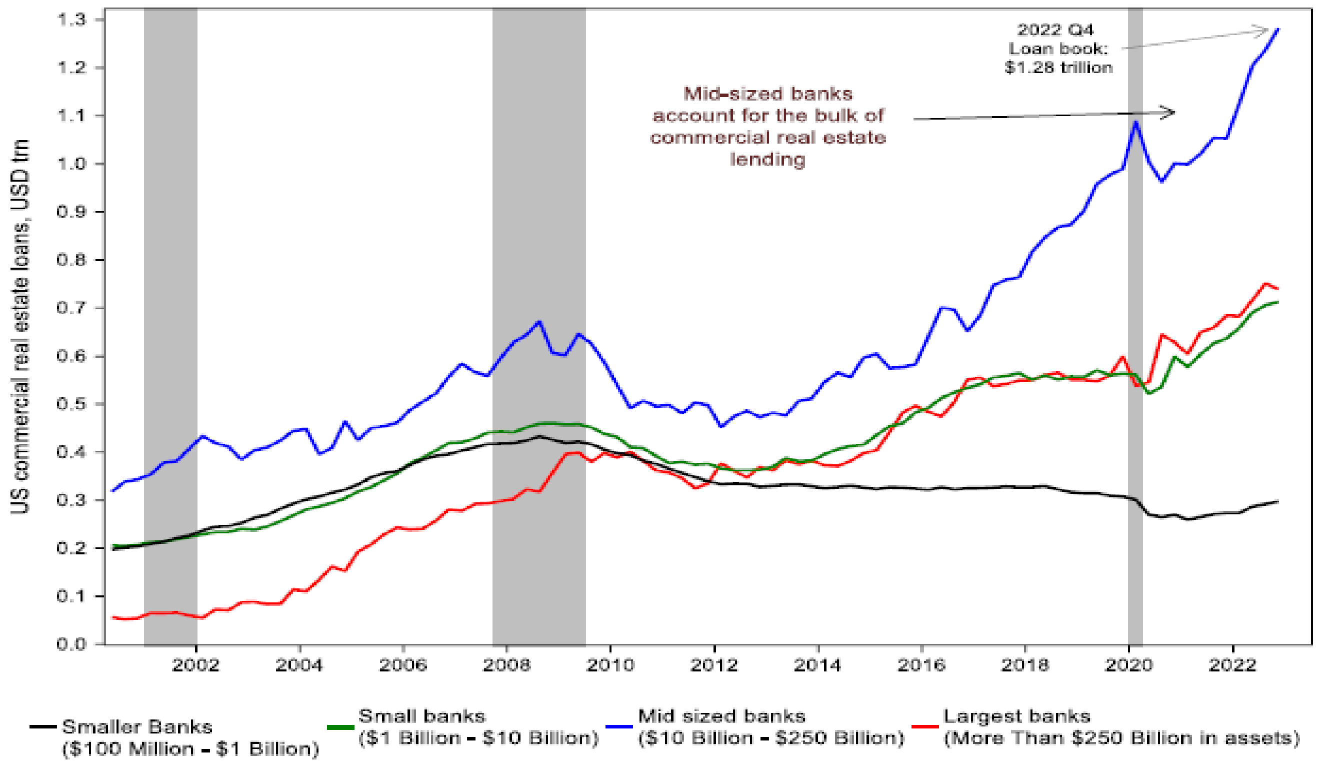
Higher Rates = Pressure in Regional Banking

Fig 2: Lending to the commercial real estate sector (by key bank size)



Source: Longview Economics, Macrobond

- In the Spring of 2023, the US markets were roiled by the Failure of Silicon Valley Bank.
- If rates stay higher for longer, the regional banks will remain under pressure given the outsized exposure to commercial real estate.
- Another bank failure is very possible, which ultimately benefits the big 3.

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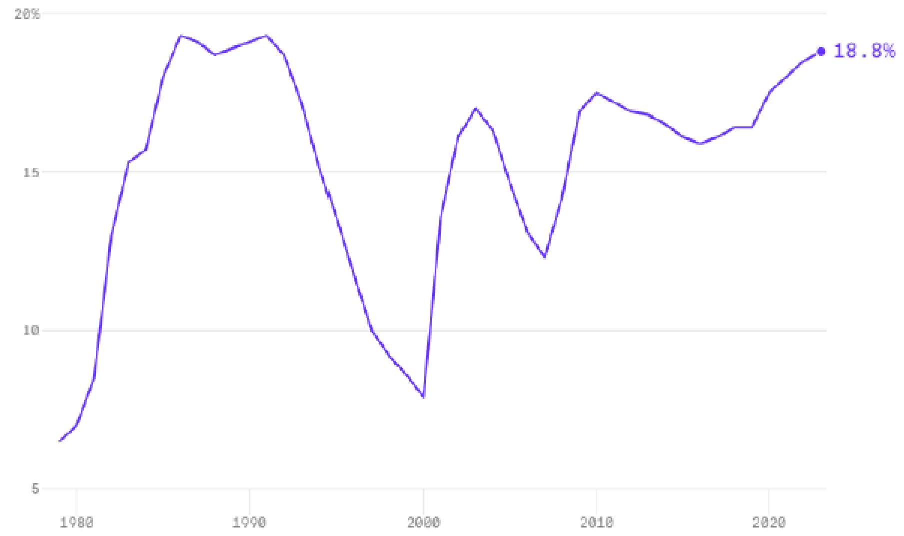
Too many vacant offices

Though Every City has different dynamics

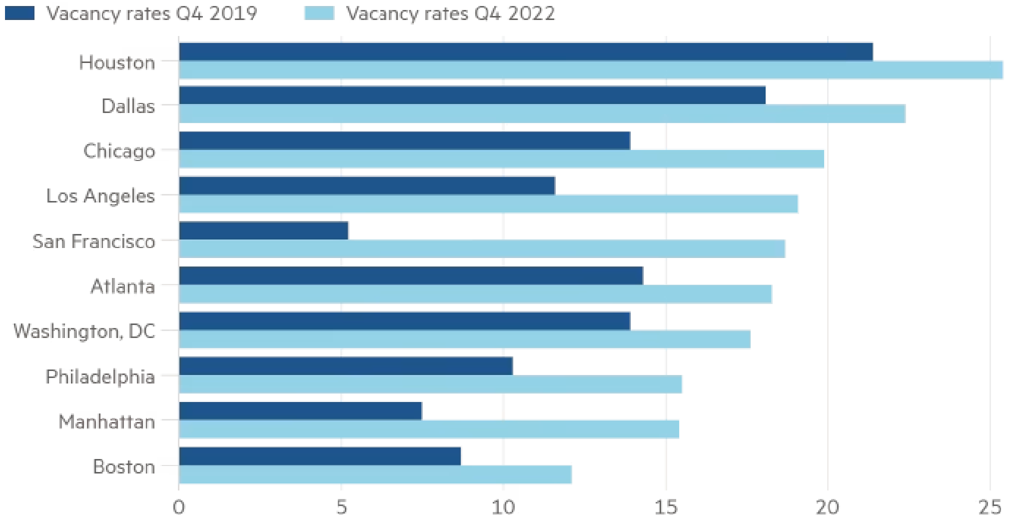
Fig 3: Share of U.S. office space vacant in 50 largest US metro areas (1979 – '23)



Source: Moody's

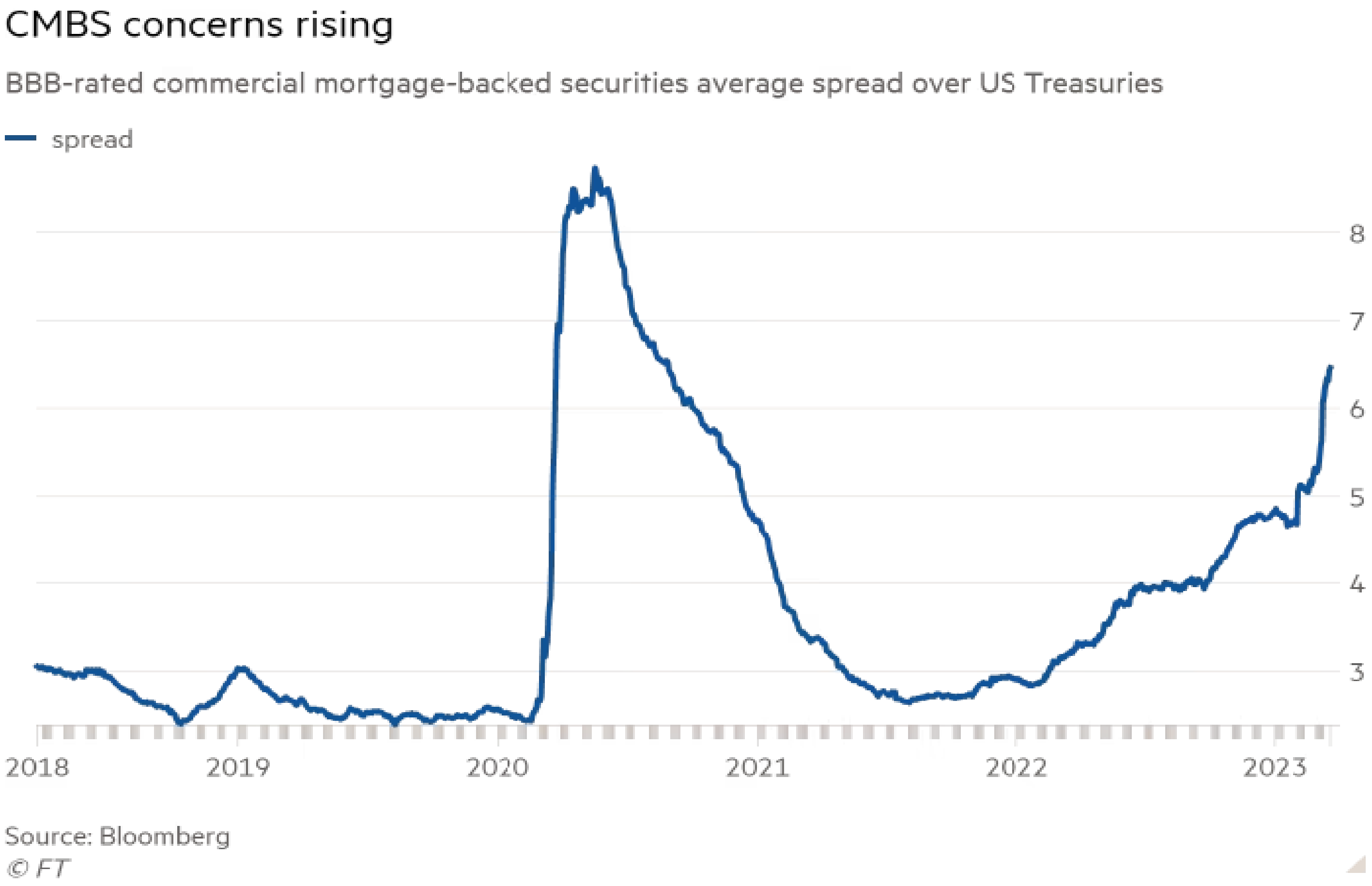
Increasingly spacious

Unoccupied space in the 10 biggest US office markets (%)



Source: Moody's
© FT

Bond Market RE Indigestion

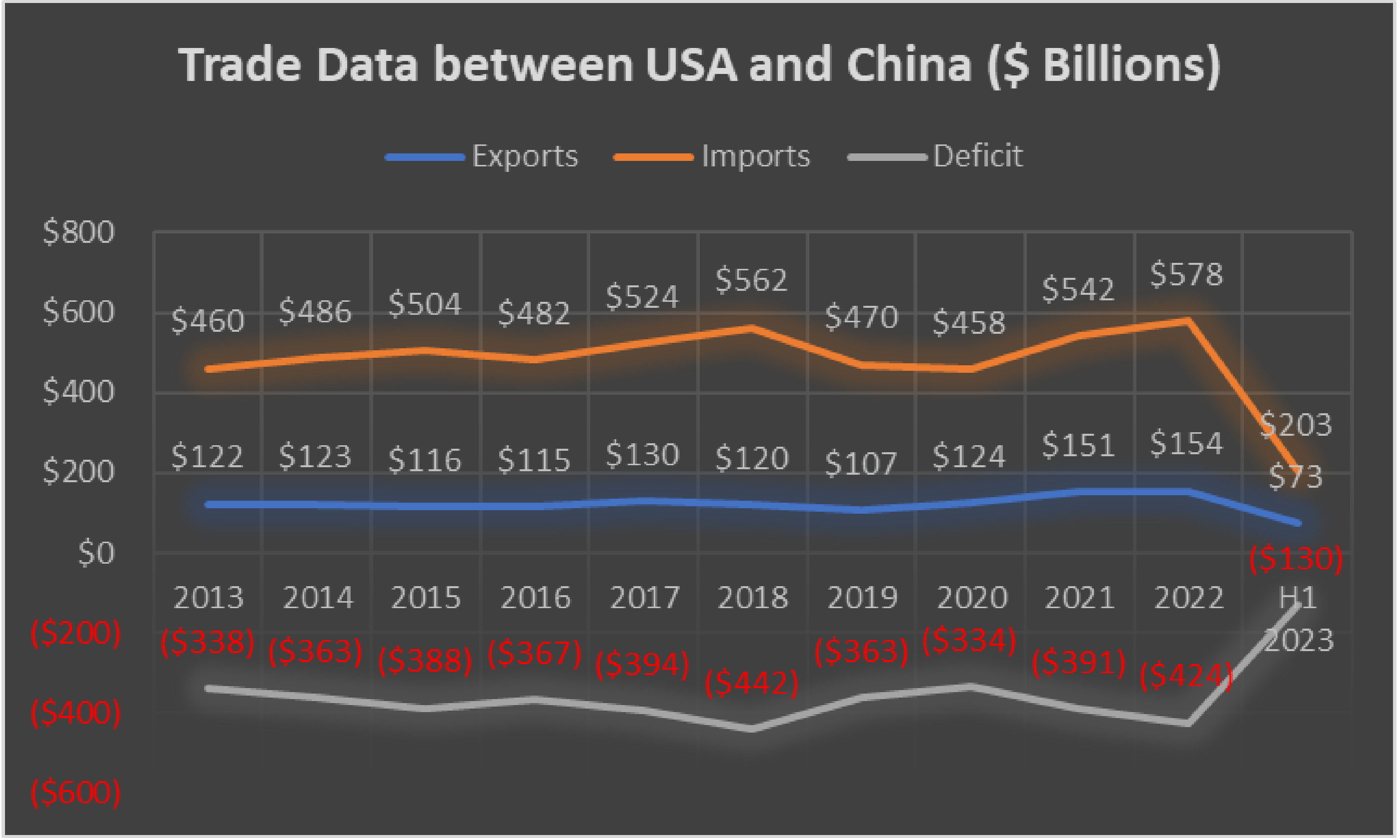


- The bond market has already priced in a sizable number of defaults in the real estate sector.

- The large sums of maturities due 2024 and 2025, issued at very low coupons, will most certainly challenge the market and, more pain is forecasted ahead.

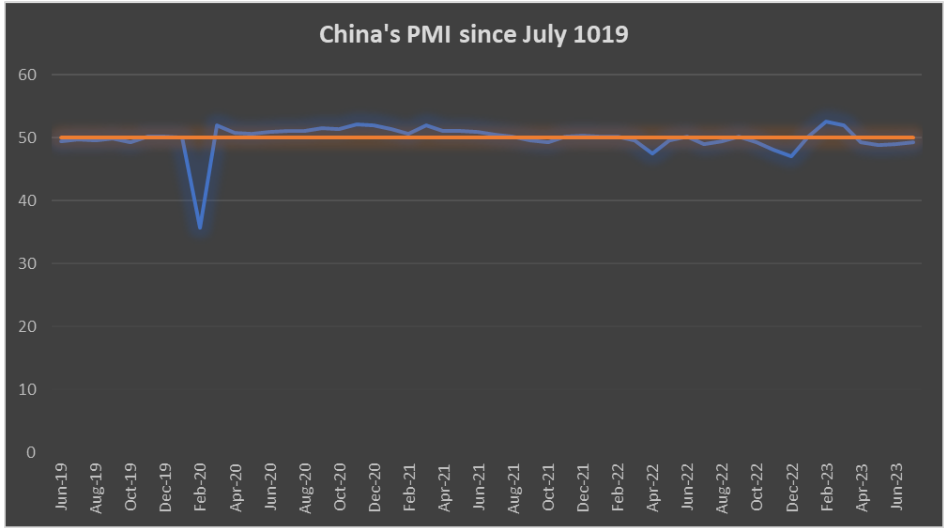
5. China’s state of the union

China’s Economy Overview: Trade Data



Source: Trading Economics

- Imports from China have dropped close to 30% since the start of 2023.
- This is consistent with their PMI readings below 50, in contraction mode.



Source: Trading Economics

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China’s Property Market

- Sales by the top 100 developers in mainland China has fallen **by about 33%** year-on-year in July 2023, according to China property consultancy CRIC.

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Implications of China Slow Down

Slower growth changes the global economy

<u>Positives</u>

- Lower demand for oil helps US consumer.
- Lower Commodity prices will cool inflation.
- Continued pressure to move supply chains out will encourage capex in North America.
- Countries such as India will benefit.

<u>Negatives</u>

- Slower Chinese growth will hurt Europe, in particular Germany.
- Increased trade friction will increase input costs.
- Increased Geo-Political risk and uncertainty.

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6. Dividend Zombies

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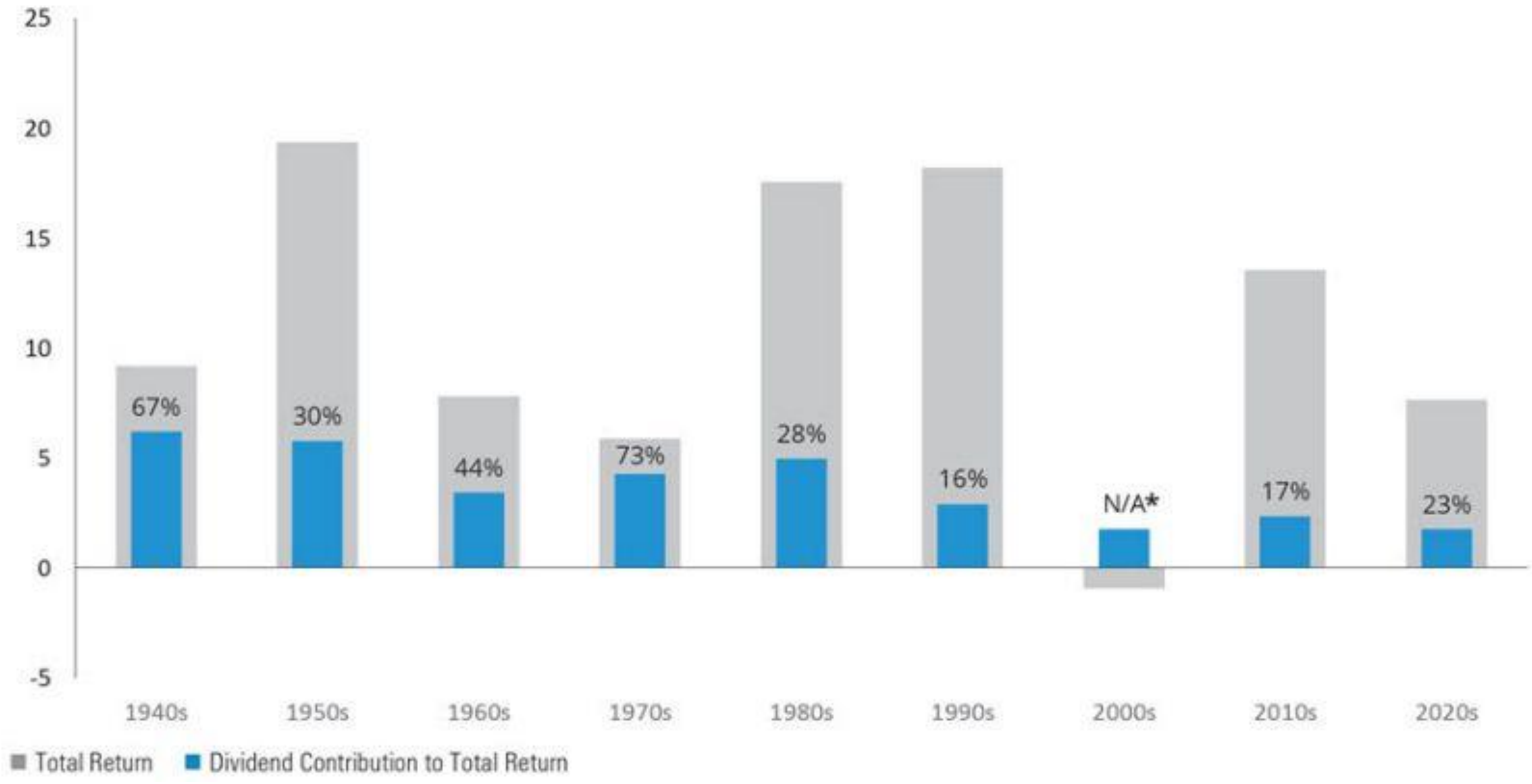
Canadian Dividend Zombies

Company	Market Value ($ mm)	Dividend Yield	Payout Ratio	Interest Coverage 2012	Interest Coverage 2017	Interest Coverage 2022	EPS growth 5-year	LT Debt-to-Equity
BCE Inc.	$50,390	7.01%	113%	2.47	5.19	5.00	-0.98%	151.8
Rogers Communications Inc. Class B	$28,353	3.74%	60%	4.17	4.12	2.84	-4.49%	312.8
TELUS Corporation	$33,282	6.35%	69%	6.35	4.55	4.67	-3.61%	135.8
Enbridge Inc.	$96,905	7.74%	117%	1.80	1.05	0.65	-3.24%	138.7
Pembina Pipeline Corporation	$23,050	6.36%	56%	3.62	6.58	5.34	22.49%	78.4
Algonquin Power & Utilities Corp.	$6,712	6.01%	241%	1.27	2.58	1.44	0.52%	141.2

Source: FactSet. September 8, 2023.

- Many corporations in Canada are stuck in the endless cycle of paying ever increasing dividends.
- Some of them go out of their way and finance such dividends via debt. While that wasn’t a problem when rates were at historical lows, that’s not the case today.
- We are seeing many reaching their limits as:
  - Payout ratios breach the 100% mark
  - Coverage ratios below 5x
  - Little earnings growth

Dividends' Contribution to Total Return



- Over long periods of time dividends have represented roughly 30% of total return.
- However, there have been periods of time like the 70s and 2000s when dividends accounted for all the return. Then there were periods like the 1990s and 2010s when dividends were less important.
- We believe a more normal market will mean dividends will be important once again.

Source: Morningstar and Hartford Funds, 2022

7. Magnificent Seven

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Top 10 Companies: Earnings vs Weight Index

Source: RBC Wealth Management

- At the end of Q2 2023, the top 10 companies in the S&P 500 made up 30.5% of the index, approximately a 6% increase from Q1.
- During this time, they were responsible for 18.5% of the S&P500 profits.
- Concerns of market concentration, specifically in the info tech sector can expose vulnerabilities, especially during unfavourable market conditions as seen in 2022.

Market Capitalization

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.

Fidelity INVESTMENTS

The Magnificent Seven

Sector	No. Companies	% of Index	YTD Return	% of outperformers	2022 Return	Total Return since 2022
Information Technology	64	25.8%	41%	63%	-29%	0%
Health Care	65	14.4%	-3%	18%	-4%	-7%
Financials	72	13.1%	0%	21%	-12%	-13%
Consumer Discretionary	53	9.9%	33%	45%	-38%	-17%
Communication Services	24	8.4%	43%	42%	-40%	-15%
Industrials	75	8.3%	8%	41%	-7%	0%
Consumer Staples	37	7.4%	-3%	11%	-3%	-6%
Energy	23	4.7%	5%	22%	59%	67%
Utilities	30	2.9%	-11%	7%	-1%	-12%
Real Estate	30	2.6%	-1%	23%	-28%	-29%
Materials	29	2.5%	5%	28%	-14%	-10%
S&P500	**502**	**100.0%**	**16%**	**31%**	**-19%**	**-6%**

Source: FactSet. As of September 8, 2023

- Performance in 2023 was concentrated in 3 sectors: Information Technology, Consumer Discretionary and Communication Services.

- In almost all of them, this outperformance was mostly due to a strong recovery coming from a lower bottom reached in 2022. Consumer Discretionary and Communications Services have under-performed the index since 2022. Info Tech is close to market perform.

- Of the Info Tech sector, 15 companies outperformed since 2022.

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The Magnificent Seven

Sector	% of Index	YTD Return	2022 Return	Total Return since 2022
Apple Inc.	**7.5%**	39%	-26%	2%
Microsoft Corporation	**6.7%**	41%	-28%	1%
NVIDIA Corporation	**3.1%**	215%	-50%	57%
Information Technology	25.8%	41%	-29%	0%
Amazon.com, Inc.	**3.8%**	64%	-50%	-17%
Tesla, Inc.	**2.2%**	107%	-65%	-28%
Consumer Discretionary	9.9%	33%	-38%	-17%
Alphabet Inc. Class A	**4.6%**	54%	-39%	-6%
Meta Platforms Inc. Class A	**2.1%**	152%	-64%	-10%
Communication Services	8.4%	43%	-40%	-15%
S&P500	**100.0%**	**16%**	**-19%**	**-6%**

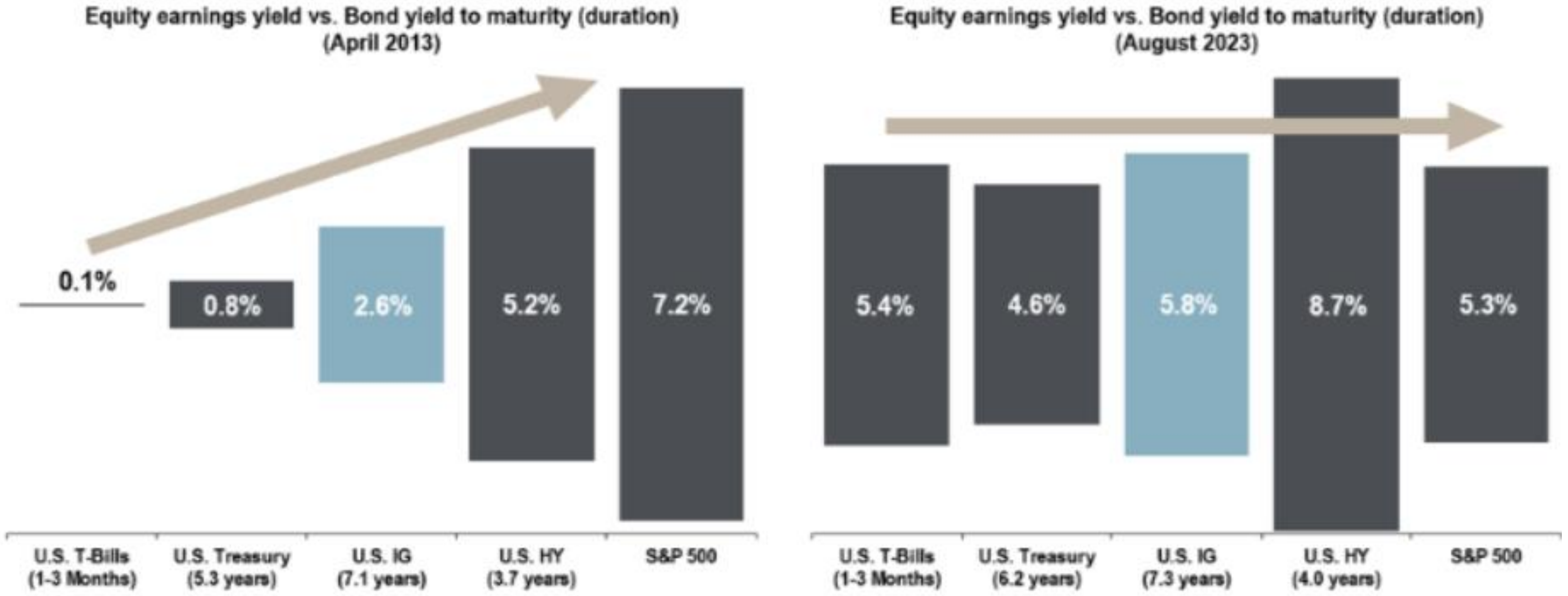
Source: FactSet. As of September 8, 2023

- The so-called Magnificent 7 are responsible for most of the 2023 returns. As you can see from above, they are all outperforming the index.
- However, this year's performance doesn't tell the whole story. The Magnificent 7 lost substantial value in 2022. In fact, Apple, Microsoft and NVDA are outperforming the index since 2022. They compose 17% and 65% of the S&P 500 and Info-Tech index respectively.

8. Rethinking Asset Allocation

FI Now Relatively Attractive

Exhibit 2: How things have changed – compensation for a move out the risk curve was ample in 2013, but it is now scarce



Source: *RBC Wealth Management, Bloomberg*

Indices/Methodology Used: *Bloomberg Barclays US T-Bill, US Government, IG Corporate and HY Corporate Indices. Calculations based on Yield to Worst. S&P 500 calculation Based on 12-month forward earnings estimate.*

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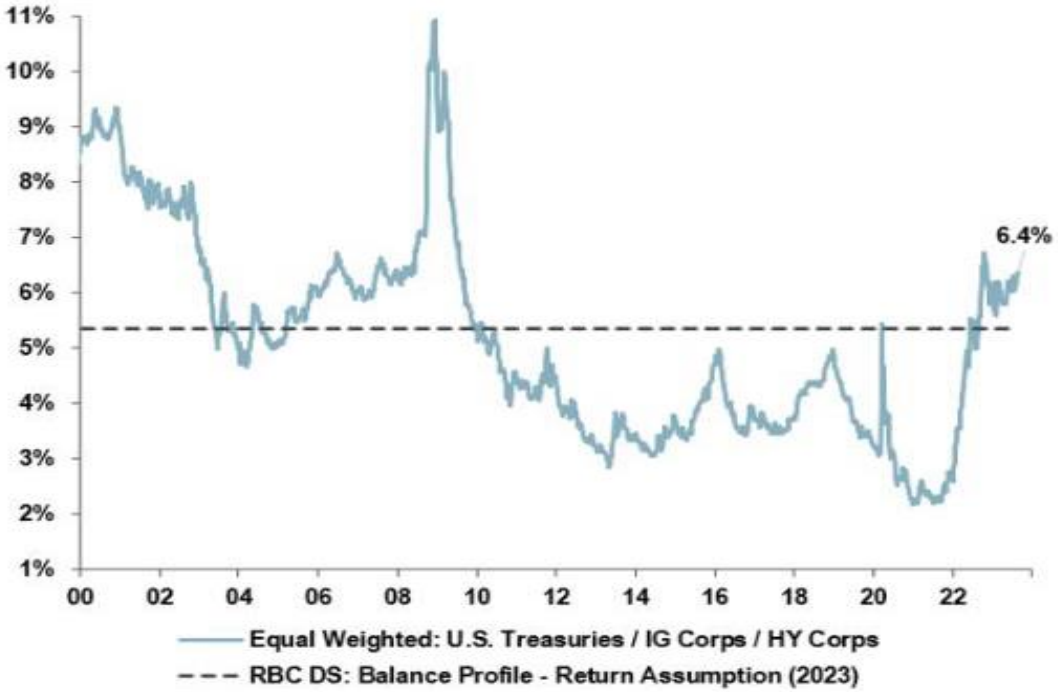
Good news for savers

Exhibit 1: Fixed income offers a yield that exceeds the return targets within many financial plans



Source: *RBC Wealth Management, Bloomberg*

Note: *These are US indices, but using comparable Canadian indices paints the same picture with a weighted average yield that is also in excess of 6%*

Indices/Methodology Used: *Bloomberg Barclays US Government, IG Corporate and HY Corporate Indices. Calculations based on Yield to Worst*

- Savers are now being rewarded at the expense of borrowers
- The days of TINA are over
- Right now the window is open for investors to lower their risk and improve returns at the same time
- Some element of return should be locked in now

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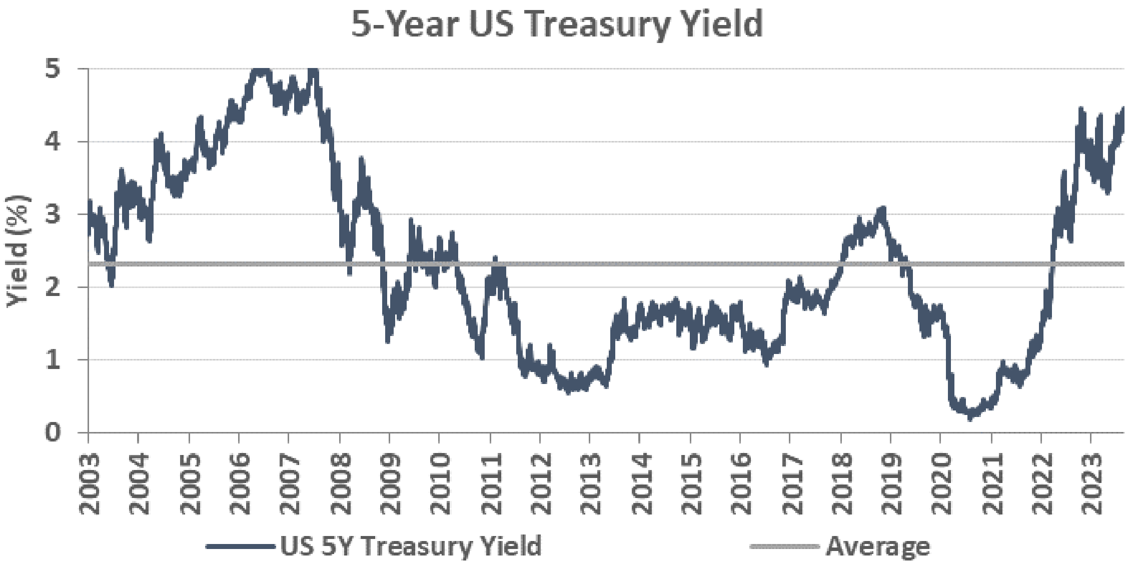
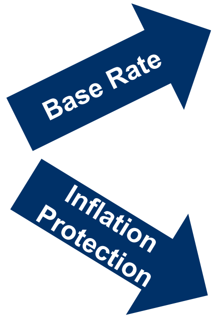
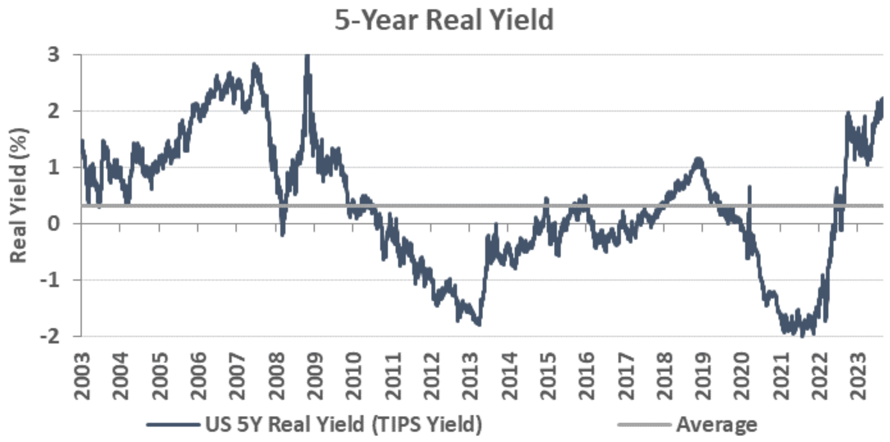
The Form this Improvement has Taken is the Most Broad-Based One it Possibly could Have

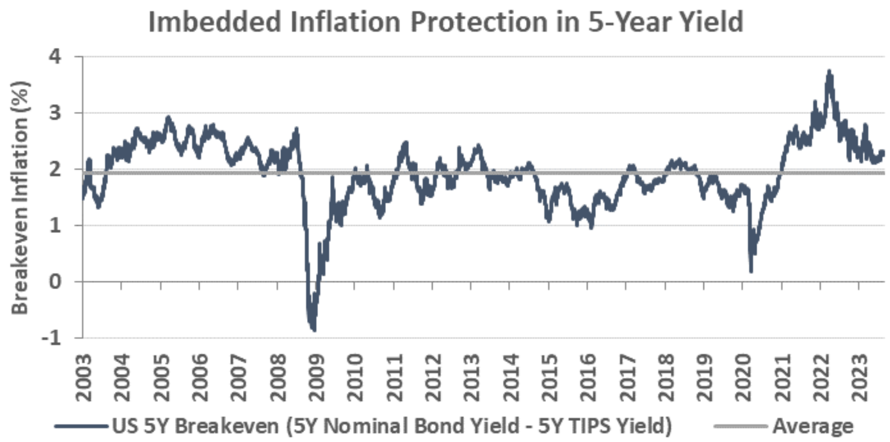
Not Far from a 20-Year High in Nominal Bond Yields…



…with the True Risk-Free Component Driving the Move

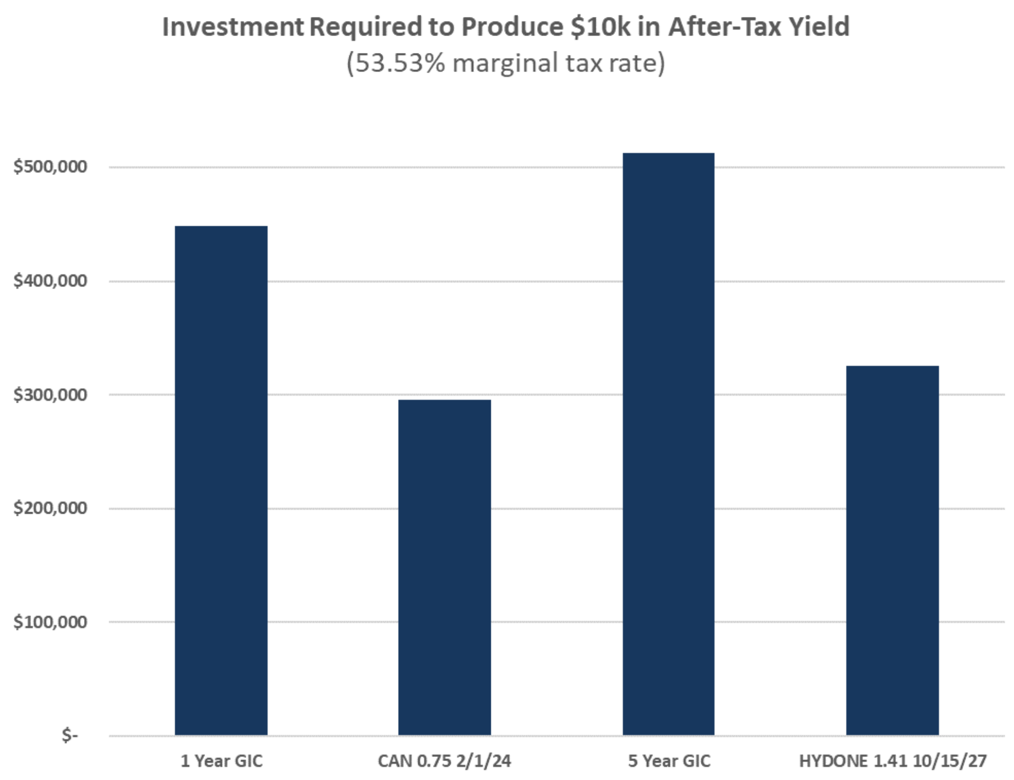


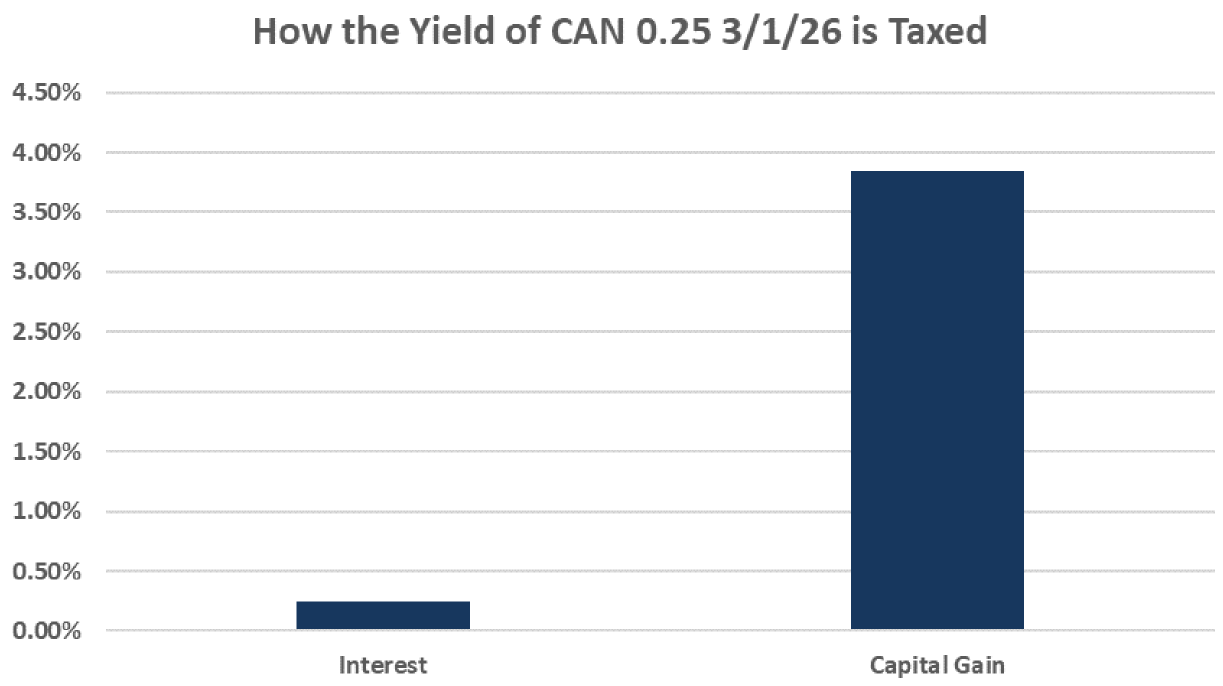




Source: RBC Wealth Management

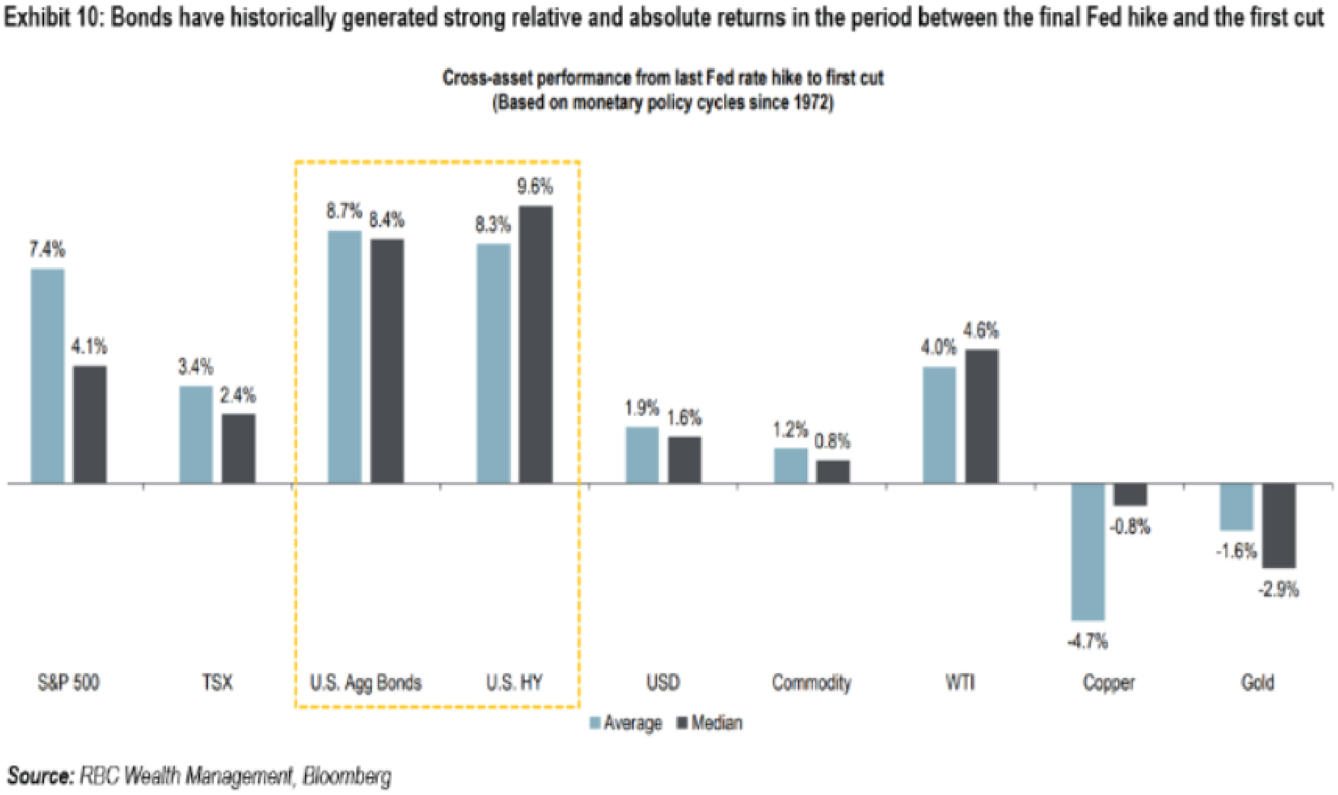
Need to think about after tax return in FI





Source: RBC Wealth Management, Bloomberg

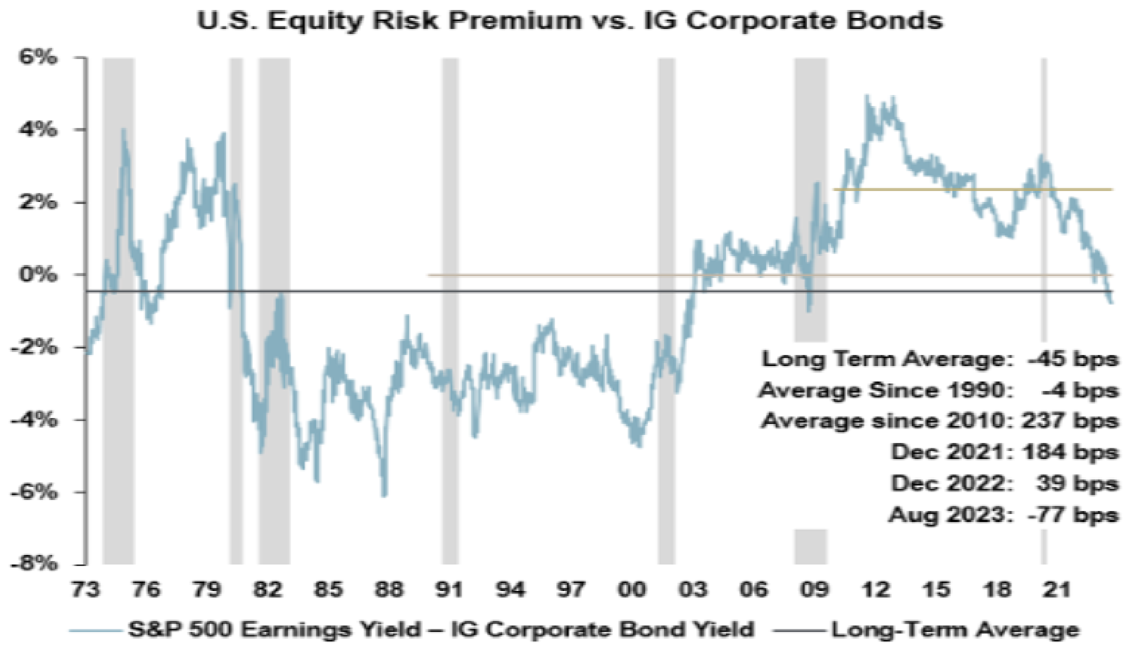
Timing Now for FI very attractive



- Macro Economic forecasting is extremely difficult and often wrong.
- However, based on prior economic cycles, the current period looks like an excellent time to add fixed income exposure
- Even if rates go higher, short duration portfolios will outperform.

Need to think long term

Exhibit 7: The current cheapness of bonds is less remarkable using a longer-term data series, but bonds no longer appear rich versus equities



Source: *RBC Wealth Management, Bloomberg*

Indices/Methodology Used: *Bloomberg Barclays US IG Corporate Bond Corporate Index Yield to Worst. S&P 500 earnings yield calculation based on 12-month trailing earnings.*

- We would not recommend over-allocating to fixed income
- Risk premium analysis shows that the current rate environment is more likely back to normal after ten years
- Unless the time frame is less than 5 years, equities still provide better long compounding opportunities

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9. Our Strategy

Investment Principles

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

- We look at a broad range of asset classes and divide them into subcategories or cubes.

- Critical decisions are made on how to weigh 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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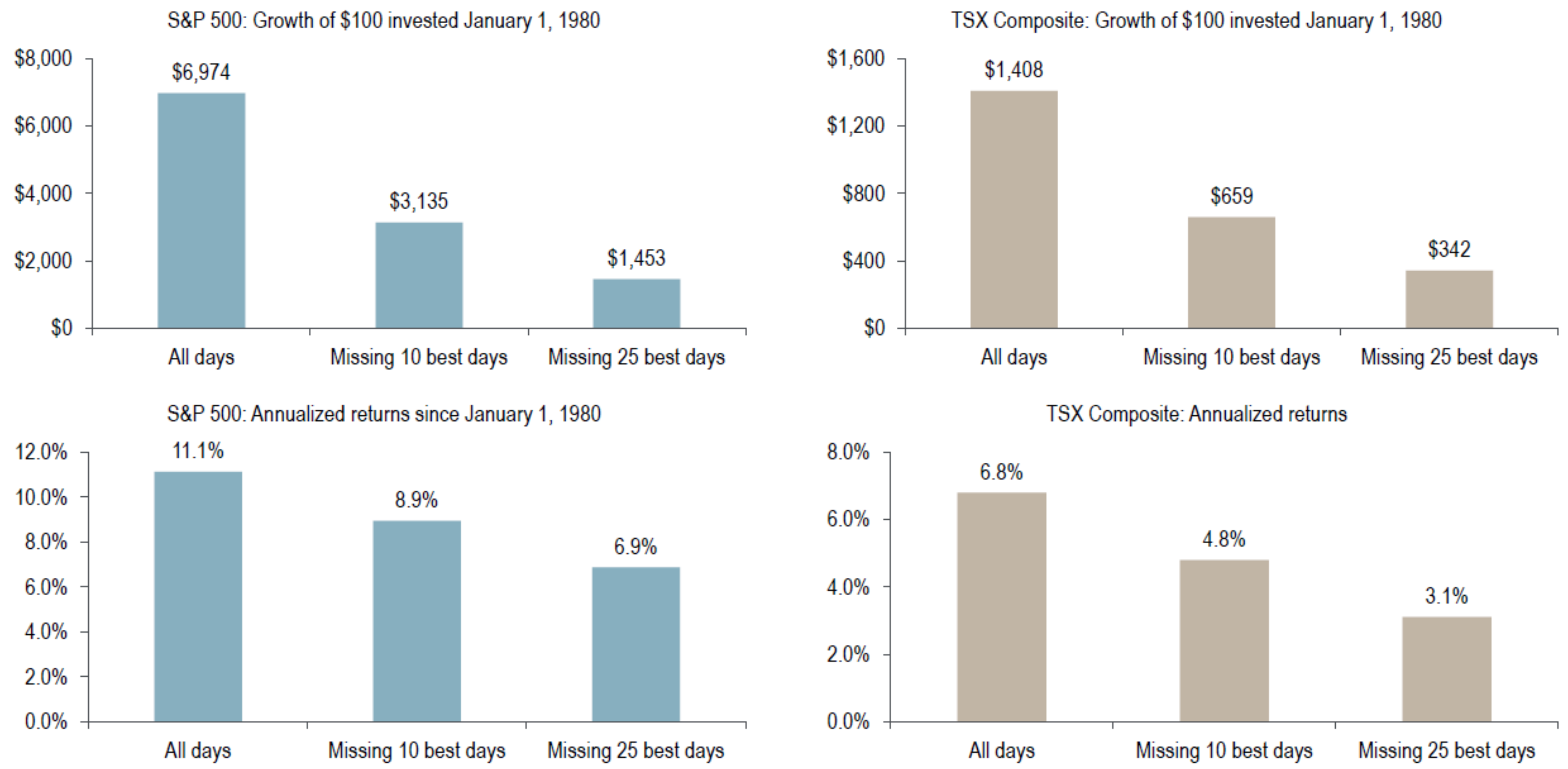
Staying disciplined and invested crucial to achieving long-term objectives



Source: RBC Wealth Management, Bloomberg. Calculations based on daily data from January 1980 to March 2020.

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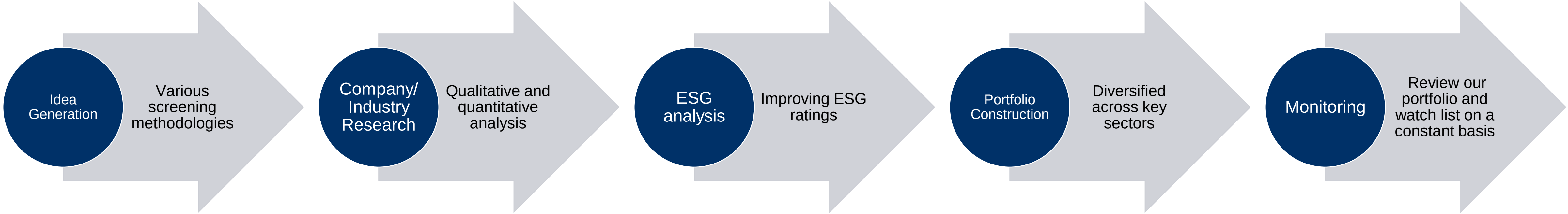
Our investment process



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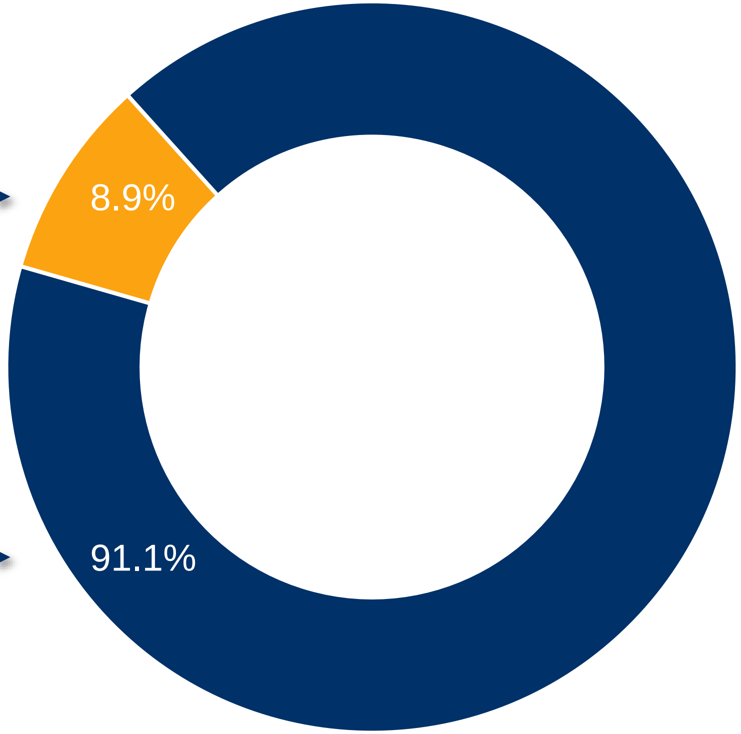
Asset Allocation

Security selection and market timing

Portfolio Movements
over time explained by:

Asset Allocation



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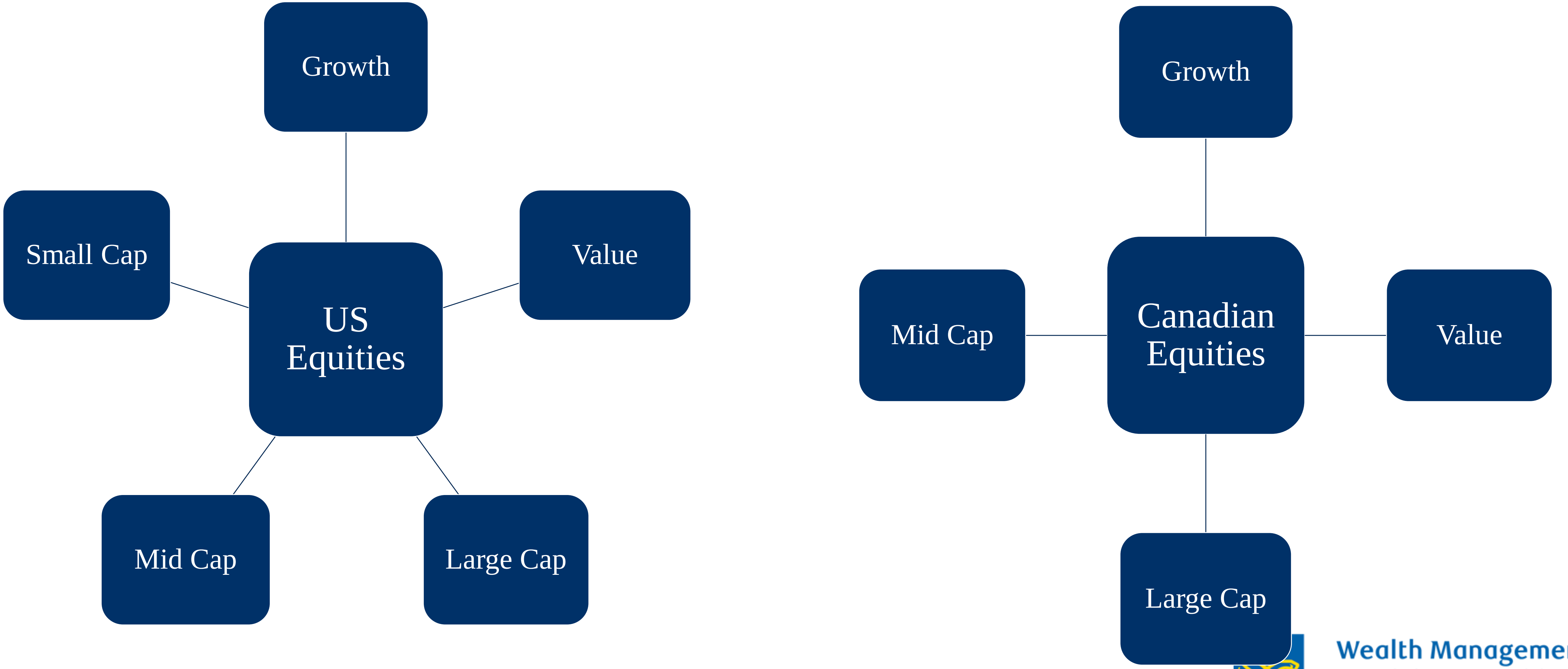
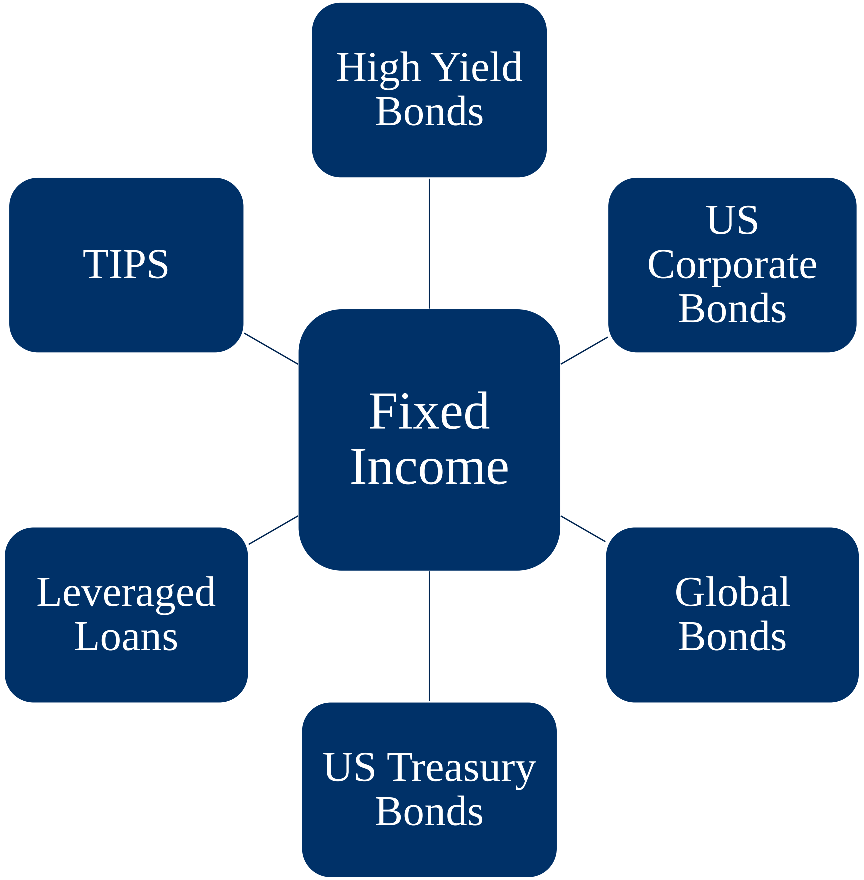
Sources: Vanguard calculations, using data from Morningstar, Inc.

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).

Investment Cubes



International Cubes and FI cubes



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What sets us apart

Distinct Sector Allocation & Security Selection

ESG Impact

Our Strategy

Increase Fixed Income

No Oil or Commodities

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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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