Wealth Management
Dominion Securities

Wealth Management
Review

COVID-19 UPDATES > www.rbcwealthmanagement.com | July 2020

Do you hold a RRIF?

You have the option to reduce your minimum required RRIF payment by 25% for 2020 under federal government COVID-19 relief measures.

This is a temporary reduction for 2020 only, and is intended to help older Canadians preserve the value of their RRIFs by avoiding liquidating assets unnecessarily during volatile markets.

If you haven't already taken your minimum RRIF payment, and the reduction may be appropriate based on your individual circumstances and income flow, you may wish to consider this.

Please note that we are not automatically reducing RRIF payments to the new minimum. If you wish to reduce your payment, you must contact your Investment Advisor.

The road to normal

By Jim Allworth

Markets and the economy have both come a very long way in a short time. The year began with complacent expectations that 2020 would be another year of decent growth in GDP, corporate earnings and share prices. COVID-19 was thought to be a big problem for China but unlikely to produce a direct hit to North America and Europe.

Before February ended, the world had turned upside down: share prices had fallen massively, economies were shutting down and borders closing. Simultaneously, policy-makers undertook unbelievably huge monetary and fiscal stimulus efforts to head off a credit crunch and bridge finance the consumer and industrial economy.

By April, the number of new daily COVID-19 cases had peaked or was peaking and heading lower throughout the developed world. By May/June, the process of reopening many economies was under way.

Still a wildcard

Things are likely to go on changing quickly for some time yet. The virus itself could throw curveballs, any one of which might either reignite a surge in new cases or further stimulate the pace of economic recovery. Among the negative concerns:

- Reopening of regional economies might reverse the downward trend in infections and send the number of new cases sharply higher once again. To some extent, that appears to have happened in places like Florida and Arizona, although so far the number of new deaths has not followed suit. If this proves a big enough threat, then closures and/or restrictions could be re-imposed, a blow to already-tentative consumer and business confidence.
- On the science front, the eagerly awaited vaccine candidates already in trials might prove to be ineffective, dashing hopes for an early remedy. There are at least 135 vaccine candidates in development, of which seven are in Phase 1 trials, seven in Phase 2, and one in Phase 3. Phase 2 trials are where most

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vaccine candidates founder. By one estimate, there is only a 30% chance that a prospective vaccine that makes it to Stage 2 will go on to be an approved, effective therapy.

There are also possibilities for COVID-19 virus developments to deliver upside volatility:

- A vaccine or anti-viral therapy shown to kill the virus, and/or confer immunity, would likely deliver a big boost to equity prices.
- The virus could weaken of its own accord. Health authorities first in Italy then more recently in New York City (both epicenters of huge outbreaks, since tamed) have recently reported that, in a matter of a few weeks, the virus in their locales has changed dramatically for the better. They report that many fewer infections require hospitalization, while a significantly smaller proportion of those hospitalized require ventilation or intensive care.

A big drop in the death rate could induce a meaningful decline in an individual's assessment of their personal health risk or the liability risk facing a business. This, in turn, would boost consumer and business confidence and open the door to further normalisation of conditions.

There are many, largely unpredictable, potential outcomes, directly and indirectly flowing from the course of the pandemic that could either make the stock market surge higher or lurch lower from here.

Beyond the crisis

In an environment where such volatility is clearly possible, maybe even widely expected, it makes it difficult for investors to focus on long-term values. We think it's worth repeating a point we made in this space back in April:

"The 'value' of the market [or of an individual business] is the present value of ***all future earnings***. Looked at that way, even big unexpected changes in the near-term earnings outlook shouldn't have a large impact on the market value of corporations. But they usually do because, for a while, investors come to believe that the performance of the economy and market today are pointing to an altered trajectory for economic and earnings growth in the future.

"Looking back at a century of pandemics, wars, nuclear disasters and more, that sort of conclusion has not been useful. Within a year or two the forces of global population growth and rising prosperity would reassert themselves and before that stock markets would go back to capitalising future earnings appropriately."

Arguably that is what has been happening since stock markets bottomed and turned higher in late March. Investors have stopped focusing on what appeared in March to be open-ended downside for the economy and the stock market, and have begun to value businesses on their prospects beyond the pandemic – when the trajectory of the economy and earnings is likely to be positive and not too dissimilar to what it was in the years leading up to this crisis.

Focusing solely on the crisis-driven downside at the bottom in March, while ignoring the compelling market values then available and the prospects for a return to economic growth post-crisis, was the wrong thing for a portfolio investor to do. By the same token today, ignoring the considerable scope for nearer-term volatility and disappointment, at a point when share values are much fuller and no longer mouth-wateringly compelling, would seem to be repeating the same mistake in the opposite direction.

One foot in

In our view, the goal of a portfolio investor should be to own for as long as possible the high-quality businesses most likely to thrive and grow in the future, thereby allowing their usually high internal rates of return to compound on behalf of shareholders. At the same time, we think it's advisable to lean against risks that arise in the economic and business environment when they become higher than normal.

We would reconcile those behaviours today by being invested in equities but not "with both feet." We think a balanced portfolio should be somewhat shy of its long-term target exposure to equities. That will add to staying power if more downside volatility were to materialise in the fall, and leave a buying reserve should more attractive prices become available. The cost of this approach if markets were to go on appreciating would be the extra returns forgone on the buying reserve.

For our most current outlook for the markets, please ask for our latest issue of *Global Insight*.

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

Introducing the new RBC Wealth Management Online

Getting to know the new website

Our previous website, DS Online, served us very well for many years, and we had reached the stage where we needed to upgrade to make digital enhancements for the future. As with any new website, it can take some time to get familiar with the new RBC Wealth Management Online. Here are some tips to help you get the most from the new website:

- We have noticed that some clients with older Internet browsers or computer operating systems find the new website performs better if they update their browser or operating system. You may wish to consider using the most recent version of the Google Chrome browser.
- We invite you to take the tours. There's much that's new and different about RBC Wealth Management Online. Click on the Show Me How button at the top right to take tours of the new Homepage, Holdings, Settings and more.
- We've created how-to guides for everything from setting up eDocuments to sending us secure messages. Simply ask your Investment Advisor team for any guides you need.
- Please help us improve the website by providing your feedback. We've already received a tremendous amount of feedback from our clients. We're listening, and we're committed to continually improving the website to make it better for you. To provide your feedback, please click on the "feedback" button on the right-hand side of your Homepage.

Signing in

With the new RBC Wealth Management Online, you can view your account information safely from home, or wherever it's convenient for you.

To log in to the new website, go to www.rbcds.com and click on "Sign in" at the top right. You can use your old password from the previous website, DS Online. If you don't have a password, or need help accessing the new site, simply contact your Investment Advisor.

What's new

With the new RBC Wealth Management Online, you can keep track of your investments on your desktop, tablet or mobile. Plus, we've made the following changes:

- More holistic navigation structure to help you find what you are looking for, including a consolidated overview of your entire portfolio
- Homepage dashboard that provides important information at a glance, while allowing you to get a more detailed and customized view
- Enhanced account information on performance and products
- Flexible data columns that let you choose what you wish to see
- Easier access to your eDocuments, including account statements and tax slips

Benefits of RBC Wealth Management Online

Convenient

View your latest account information, important documents and market commentary wherever and whenever you want.

Access your accounts safely and securely

View your account information any time from the convenience of any personal computer or device with secure Internet access. Find out the value of your investments. Check

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your transactions and the status of your trade orders. Do so knowing your privacy is protected by your confidential password and advanced encryption technology.

Reduce your paperwork with eDocuments

Access key documents such as statements, tax slips, annual reports, trade confirmations and prospectuses at any time to reduce your paperwork and help the environment. You'll have current documents at your fingertips, plus a seven-year archive. And, right now, when you switch to eDocuments, we will plant a tree in your honour through our partnership with Tree Canada.

Get timely market information

Obtain detailed quotes for stocks and options listed on Canadian and U.S. markets, and daily closing prices for mutual funds. Plus, you can create up to 50 custom "watchlists" each containing up to 100 securities. And you'll receive exclusive market commentary and the latest business news.

Connect with RBC Online Banking

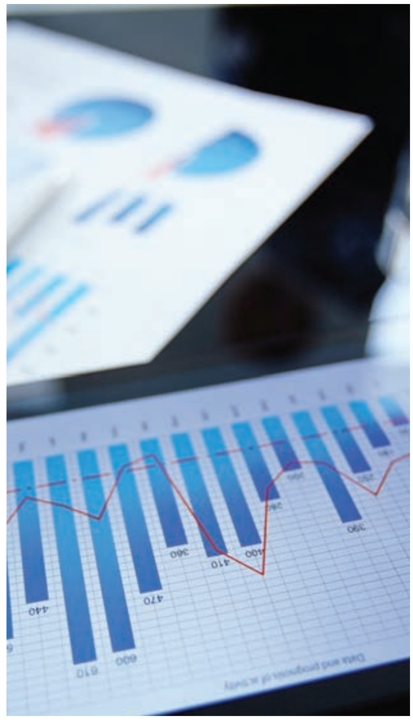
Click to RBC Wealth Management Online through RBC Online Banking, and view all of your various RBC accounts. You can also transfer funds from your RBC Royal Bank accounts to your RBC Dominion Securities accounts.

Coming soon

We will be making regular updates to RBC Wealth Management Online, including:

- user experience improvements based on client feedback
- functionality enhancements
- a new mobile experience within the RBC mobile app that enables you to review your portfolio anytime, anywhere.

To learn more, please contact your Investment Advisor team.



Empowering older Canadians with personal and financial planning

RBC Wealth Management recently formed a strategic partnership with The National Institute on Ageing at Ryerson University. Working together, we can share our expertise in financial literacy and cyber security to help organizations educate older people on how to manage their finances, plan for their future and protect themselves and their wealth from fraud.

Canada's baby boomers are contributing to a larger-than-ever aging population, and helping older Canadians better prepare themselves will protect us all.

To learn more, please contact your Investment Advisor.

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