Wealth Management
Dominion Securities

RBC Dominion Securities Inc.
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Timely Update On Your Discretionary Portfolio

Current Thoughts

Back in January, we had made the decision to reduce our equity position in the discretionary model, due to the valuation of the stock market at the time. This included freeing up 2% from equity for all clients, as well as a sale in our Canadian Equity model of CN Rail. When CN was sold, we did not reinvest in any companies at the time, in order to wait for a better opportunity and an expected pullback.

Yesterday afternoon (Monday), we made the decision to add some cash back into the market near the end of the day, based on the extremely oversold nature of the stock market. To do this, we purchased an ETF that reflects the S&P 500 (XSP). This addition would equate to roughly 1.5% - 2.00% of the overall portfolio, which still leaves us with another 2% or so in cash that would normally be in equities. We chose an ETF in this specific case, so we could gain broad-based exposure to the US market very quickly, with the intent that we will eventually replace this position with the stocks in our discretionary model. When

we make the decision to go back to our long-term target on equities, we will use the remaining 2% cash to add back into our model

It is our view that the recent volatility has provided us with an opportunity to get back into the market at a much more attractive valuation. Today (Tuesday), the US markets finished up around 5% after yesterday's large drop, which we positively benefitted from with this trade. Having some cash available in advance of a market downturn allows us to take advantage of such opportunities. As a discretionary client, your portfolio would have had these transactions take place.

We understand that the last few weeks may have been concerning for many reasons, but as long-term investors it is a good time to be reminded that bouts of volatility will pop up every now and then. It is our job to remain level-headed and make the best decisions possible to help our clients.

We still think the U.S. expansion will continue and the recessionary risks from the COVID-19 impact which are further compounded by the shock from the oil market will be contained. Our still positive view on the U.S. is predicated on the strength of the U.S. consumer (~70% of GDP); strong services market (~80% of GDP); budding recovery in the housing market, and financial conditions and monetary policy which continue to be accommodative.

Thank you, and please don't hesitate to contact us directly if you have any questions.