

# Bringing discipline to your equity portfolio



The RBC Strategy Focus List provides a disciplined approach to managing your equity portfolio. It helps your portfolio stay well-diversified with high-quality companies and structured to fit our current economic outlook.

## THE INVESTMENT STRATEGY

We follow a top-down economic analysis and bottom-up company screening process.

## SECTOR ALLOCATION

The RBC Investment Strategy Committee, comprised of senior investment professionals, makes regular forecasts on key macroeconomic variables including interest rates, economic growth, earnings growth and prevailing valuations of equity markets. The committee then makes recommendations on the number of companies your portfolio should hold in each major sector.

## COMPANY SELECTION

Companies are scored on fundamental, technical and quantitative analysis conducted by RBC Capital Markets.

Only companies that score well across the three research disciplines will be included in your portfolio. Such companies are also the ones likely to weather market downturns and be the outperformers when markets eventually turn up once again.

## BENEFITS

- Ensures that the focus is on the entire portfolio, not solely the individual companies within.
- Provides a sell discipline that helps you make decisive and timely buy or sell decisions as markets change.
- Brings a business-like approach to a task that is too often emotionally driven.
- Lets you know in advance what action to take if things unfold in an unexpected way.
- Forces you to deal with negative developments promptly.
- Adapts the portfolio to a changing environment.
- Ensures the portfolio always owns companies that meet high standards and is structured to reflect RBC Dominion Securities' assessment of which market sectors offer attractive potential.

# The Sell Discipline

## Guideline #1: Match the sector allocation

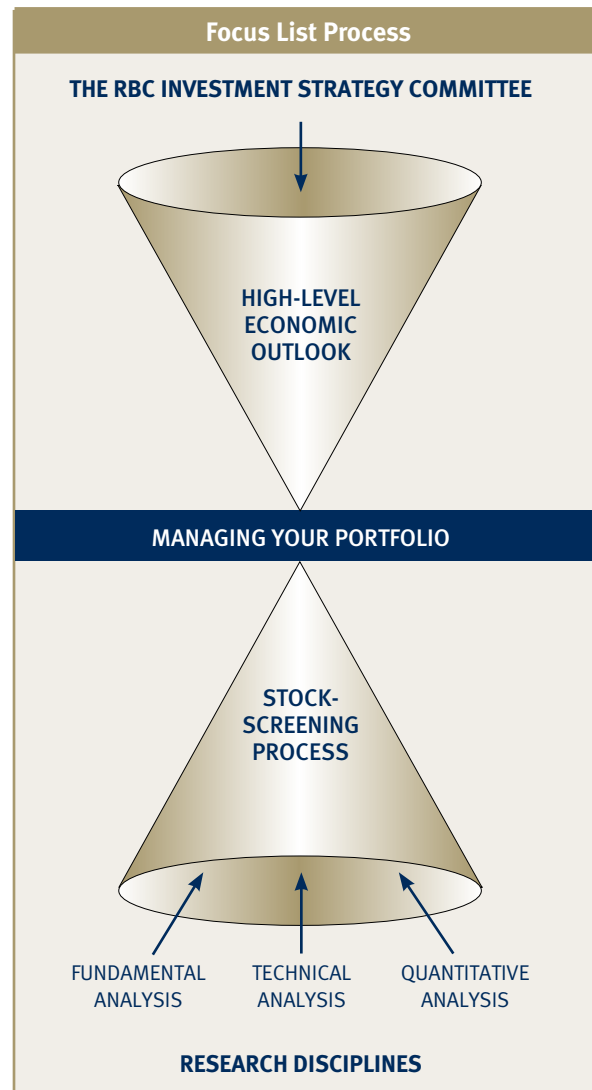
Companies in various sectors of the economy perform better or worse at different times due to changing economic and market conditions. The RBC Investment Strategy Committee meets regularly to review overall economic factors. Its analysis determines the number of companies in your portfolio to be held in each sector. As these recommendations change, adjustments are made to ensure your portfolio is exposed to industries expected to outperform and not overexposed to industries expected to underperform. This will determine which positions to buy and sell from each sector.

## Guideline #2: Only hold stocks that are part of the Strategy Focus List's universe

The bottom-up process ensures that only high-quality companies that have scored well relative to their peers are included in portfolios. These companies are monitored on a consistent basis to ensure they meet the high standards necessary for inclusion. Should any company's score deteriorate, it will be removed from the universe. As companies are removed, they should also be sold from your portfolio.

## Guideline #3: Rebalance positions regularly

New portfolios are typically equally allocated across the portfolio. As market prices fluctuate, positions can vary in terms of their percentage weighting of your equity portfolio. Positions are rebalanced back to equal weighting regularly, usually quarterly. This rebalancing process ensures your portfolio is not overexposed to any one particular company.



## IN SUMMARY

The Strategy Focus Lists, and three underlying research disciplines, create a process that can help you manage your equity portfolio with a disciplined approach. You can't expect to always buy individual companies at the "low" or sell at the "high." However, you can expect to have a portfolio that is structured to fit the current economic outlook and that is comprised of quality companies that have met our in-depth research and evaluation requirements.

➤ For more information on this process, and to determine if it is right for your portfolio, please contact us today.