

# Investment UPDATE



## Choose discipline over guesswork

Focusing on your long-term goals and ignoring the day-to-day activities of the market is often difficult to do, but history has shown us time and time again that investors who do usually come out ahead. News headlines about economic events often have little or no relevance for choosing what to invest in or when to invest. In the long run, disciplined investing is more successful than trying to guess the movement of the markets.

Recent times have shown what can happen when emotions overrule sound strategy. Following the final half of 2007, which saw the S&P/TSX Composite Index at December 31, 2007 down from its 2007 summer peak, some investors stopped adding to their investments, or even moved their money to cash. Unfortunately these investors have been missing out on the market recovery

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For the second consecutive year, RBC Asset Management® has won the Lipper Fund Award for “**Best Overall Fund Group**” in Canada.



Best Overall Fund Group  
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2007 & 2008

For more information, visit [www.rbcam.com/news/lipper.html](http://www.rbcam.com/news/lipper.html).

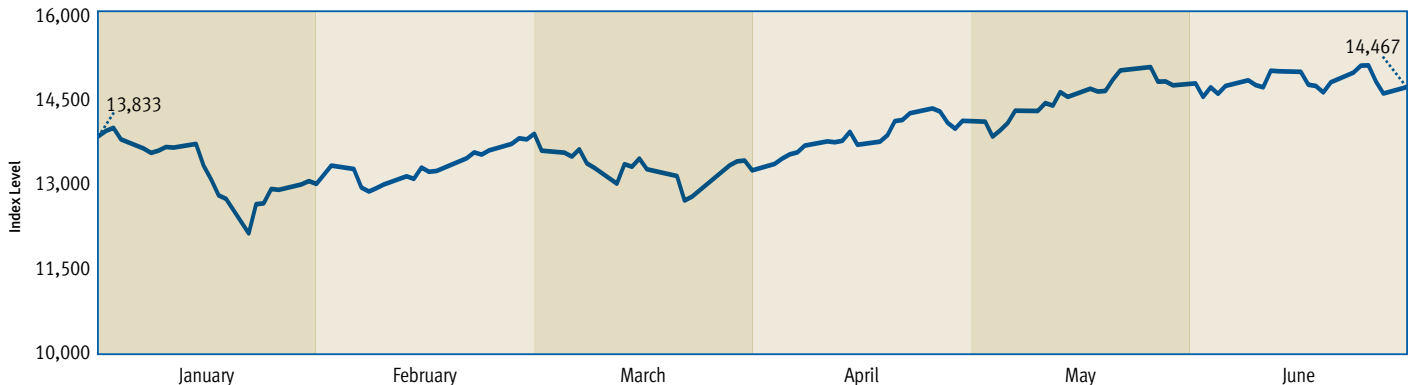
## Choose discipline over guesswork *continued*

that has been taking place through much of this year in Canada. As at June 30, 2008, the S&P/TSX Composite Total Return Index is up 6.0% year-to-date†.

This type of behaviour is not uncommon. A recent study showed that the typical American mutual fund investor underperforms the average return of mutual funds overall because

“investors attempt to time their investments and redemptions — and are frequently unsuccessful.”<sup>1</sup> Unfortunately, the same often holds true for Canadian mutual fund investors.

**S&P/TSX Composite Index – January 1, 2008 to June 30, 2008**



### Highlights from the past few months

**JANUARY 22**

Bank of Canada cuts rate 25 basis points

**MARCH 4**

Bank of Canada cuts rate 50 basis points

**MARCH 17**

JP Morgan announces intent to buyout Bear Stearns

**APRIL 22**

Bank of Canada cuts rate 50 basis points

**MAY 5**

Oil hits \$120 a barrel

**MAY 21**

Oil hits \$130 a barrel

**JUNE 26**

Oil hits \$140 a barrel

## What can you do?

### Get your money working for you

You need to be invested in the market to participate in any potential future gains. If your money isn't working hard enough for you, speak with your RBC® advisor or call 1-800 ROYAL® 1-1.

Together, you can review your current portfolio and ensure that you have the right mix of investments to help you reach your investment goals sooner.

### Think globally

Don't limit yourself to just Canada. From the first cup of coffee that starts your day to the television you watch the evening news on, many of the goods that we use each day come from

beyond our borders. And your investment portfolio should be no different — that is to say it should reflect the global opportunities that international investing provides.

### Keep a good thing going

And for those who have stayed true to the time-tested strength of disciplined investing — a long-term approach with a diversified investment portfolio — look at regular investing as a great way to force savings and maximize returns. Pre-authorized investment plans are available for as little as \$25 a month.

Making the right investment choice is much easier when stock markets are rising and thoughts of potential losses are infrequent. While difficult to do, successful investors also invest when the market is down. Although past performance cannot guarantee future results, if you stick to your long-term investment plan, you stand a better chance of reaching your goals.

**Take the important step and talk to your RBC advisor at your local RBC branch or call 1-800 ROYAL® 1-1 for guidance in following (or starting) an investment plan.**

†The S&P/TSX Composite Total Return Index does not reflect markets outside of Canada.

<sup>1</sup> DALBAR Quantitative Analysis of Investor Behavior 2008

# The one-minute market update

## EQUITY MARKETS

- › All major equity markets, except Canada, remain well below fair value — the minimum price level consistent with mild inflation, low interest rates and sustained growth.
- › With an outlook for stable, if slow, gains in GDP and moderating inflation, the economic environment is supportive of ongoing recovery in stock prices.

## FIXED INCOME MARKETS

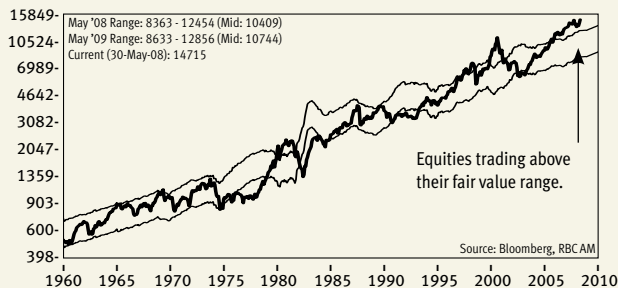
- › The same outlook that supports ongoing recovery in stock prices suggests fixed income markets, especially government bonds, remain vulnerable to upside pressure on yields over the months ahead.

## IMPLICATIONS

- › We believe that the economy has moved past its period of maximum vulnerability, at least in North America. Falling short-term interest rates, fiscal relief and a weak U.S. dollar are now beginning to offset pressure from the housing crisis, credit crunch and rising commodity prices.
- › The transition away from a climate of fear and intense risk aversion opens up scope for significant returns in stocks, but also presents new challenges for fixed income investors, especially those exclusively focused on government bonds.

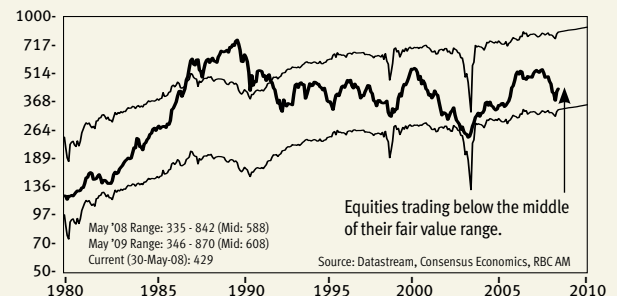
For a summary of the Summer 2008 Market Outlook, please visit our website at [www.rbcam.com/news/investment-market-outlook.html](http://www.rbcam.com/news/investment-market-outlook.html).

### Canadian equities — Fair value range S&P/TSX Composite Index



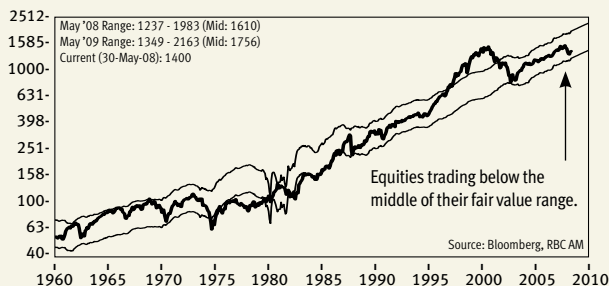
Canadian equities continue to remain relatively expensive, buoyed by resources.

### Japanese equities — Fair value range Japan Datastream Index



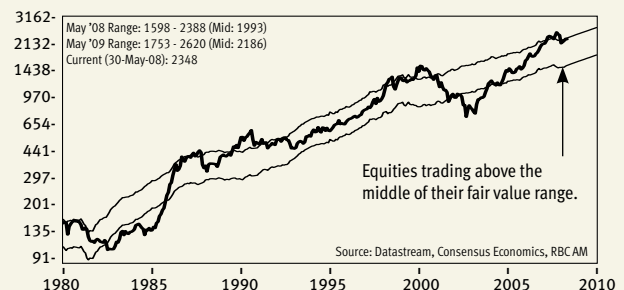
Attractive valuations in Japan continue as equity markets have largely priced in weakening global demand.

### U.S. equities — Fair value range S&P 500 Equilibrium



Outlook remains constructive for the U.S. As the credit crunch clears, attention will return to equity markets.

### European equities — Fair value range Eurozone Datastream Index



Global economic slowdown is now somewhat reflected in share prices.



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**WIN a trip for four to the Vancouver 2010 Winter Games**

OR

**WIN 1 of 3 trips for two to a past Winter Olympic host city**

OR

**WIN 1 of 150 Vancouver 2010 Winter Games Prize Packs**

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**If you are already receiving the MultiProduct Rebate, you will automatically be entered into the contest.**

**Contest closes September 30, 2008. To learn which products qualify, visit your local RBC branch today or visit [www.rbc.com/bundle](http://www.rbc.com/bundle).**

<sup>†</sup> No purchase necessary. Contest runs from June 6, 2008 at 9:00 a.m. (EST) and ends on September 30, 2008 at 11:59 p.m. (EST). Up to a maximum of four entries permitted per person. Open qualifying products and you will be automatically entered. Open to permanent Canadian residents who have reached the age of majority in the province or territory in which they reside by the close of the Contest Period. There are 154 prizes available to be won. Odds of winning depend on the number of eligible entries. A correct answer to the skill-testing question is required. For full Contest rules, please visit [www.rbc.com/bundle](http://www.rbc.com/bundle).

<sup>Δ</sup> Qualifying products for the MultiProduct Rebate: RBC Royal Bank investments [Guaranteed Investment Certificates (GICs), Registered Retirement Savings Plans (RRSPs), and Registered Education Savings Plans (RESPs)]; RBC Royal Bank Residential Mortgages, RBC Homeline Plan<sup>®</sup>, RBC Rewards<sup>®</sup> and Partner Rewards Visa cards (primary and co-applicant cardholders only). Investments with RBC Dominion Securities<sup>®</sup> and RBC Direct Investing<sup>™</sup> are not eligible. Only one rebate per account. MultiProduct Rebate does not apply automatically where account ownership differs between qualifying products. Some conditions apply.  
<sup>\*\*</sup>The amount actually saved will vary depending on the extent to which you use each of the account services.

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