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Global Investment Outlook 2019

What's driving global growth? What is the outlook for equity markets? Where are the opportunities in fixed income markets, as interest rates rise?

Our latest Global Investment Outlook will give you added insight as you prepare for the coming year. Read the full report at rbcgam.com/gio or watch the videos for short, concise commentaries from our investment experts.

Building a fixed income advantage

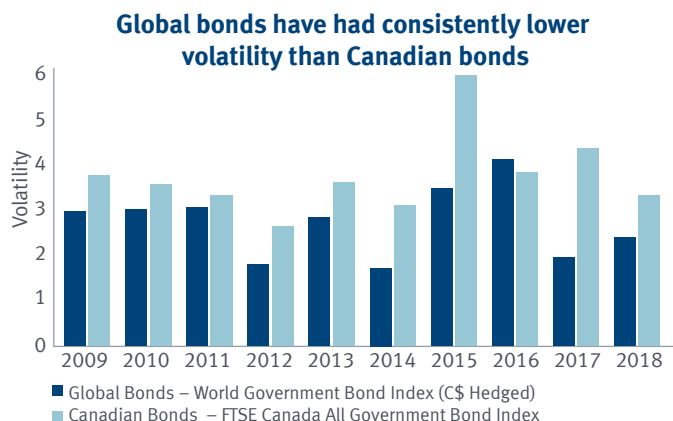
At RBC Global Asset Management, we are continually pursuing new ways to help our investors achieve their goals. Within fixed income, we are expanding into new asset classes and building innovative research tools. Over the last decade, we also acquired two leading fixed income research and investment firms.

Why bond exposure matters

Rising interest rates acted as a headwind to fixed income returns in 2018. However, there are still plenty of reasons to maintain a suitable position within this asset class, including:

- Bond yields have risen to a level that offer attractive interest payments
- Higher yields mean that bonds are better able to provide downside protection against volatile stock markets
- Tightening of monetary policy by central banks is starting to slow down. This can be expected to slow the rapid rise in bond yields we've seen over the past year

Fixed income diversification can also help reduce portfolio risk, as not all sectors or geographic regions are at the same point in the economic cycle. The chart below shows how a portfolio of global bonds has historically been less risky than a portfolio of Canadian bonds.



Source: Morningstar Direct. Standard deviation used to measure volatility.

Cont. from page 1

The RBC GAM Advantage

Performance of the fixed income strategies in your RBC Retirement Portfolios benefit from ongoing improvements to our investment capabilities.

- ✓ We've tuned up the global fixed income presence by adding underlying funds with exposure to Europe and emerging markets.
- ✓ We've built proprietary investment and risk management tools to analyze global securities and run scenario analysis to better predict how they might perform in various market conditions.
- ✓ Over the last decade, we further strengthened our core competencies – and your portfolio – with the acquisition of Phillips, Hager & North Investment Management (PH&N) in 2008 and BlueBay Asset Management (BlueBay) in 2010.

RBC Retirement Portfolios benefit from over 185 fixed income professionals on teams based around the world. By choosing from the breadth of RBC Funds, PH&N Funds and BlueBay Funds available to incorporate into your portfolio, we continue to pursue better investor outcomes.

TORONTO

RBC Global Asset Management Inc.

- Canadian fixed income
- High yield & corporate bonds
- Currency solutions

VANCOUVER

Phillips, Hager & North Investment Management

- Canadian fixed income
- High yield & corporate bonds

MINNEAPOLIS

RBC Global Asset Management (U.S.) Inc.

- U.S. government bonds
- U.S. corporate bonds

LONDON

BlueBay Asset Management LLP

- Global and emerging markets fixed income

RBC Global Asset Management (UK) Limited

- Global bonds
- Emerging markets bonds



WINNER OF THE 2018
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CANADA**

Best Overall Funds Group*

for nine of the past 12 years

PH&N Funds 2010-2013, 2016, 2018
RBC Funds 2007, 2008, 2014

Best Bond Funds Group*

for 10 of the past 12 years

PH&N Funds 2007, 2008, 2010-2013, 2016, 2018
RBC GAM 2015 | RBC Funds 2009

A comprehensive lineup of fixed income solutions

If you've been saving for retirement with RBC Retirement Portfolios, thank you. You may have noticed the addition of select PH&N Funds, BlueBay Funds and new RBC Funds to your portfolio. As your portfolio moves along its investment timeline, you can rest assured that we are constantly looking for ways to add value through broad diversification and access to timely investment opportunities. Each of

our investment teams is an important part of the fabric of RBC GAM. Together, we're working to innovate, developing modern tools and resources and striving for better investor outcomes.

For more information, contact your RBC Advisor or visit rbcgam.com/ourstory.

* Best Overall Funds Group: PH&N Funds: 2010-2013, 2016, 2018; RBC Funds: 2007, 2008, 2014. Best Bond Funds Group: PH&N Funds: 2007, 2008, 2010-2013, 2016, 2018; RBC GAM: 2015; RBC Funds: 2009. Lipper Awards were based on best risk-adjusted performance for the periods ended July 31, 2018, 2016, 2015 and 2014; October 31, 2012, 2011 and 2010; November 30, 2009; and December 31, 2008, 2007 and 2006. From Thomson Reuters Lipper Awards, © 2018 Thomson Reuters. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this content without express written permission is prohibited.

What happened in world markets last quarter



Fixed income

Bond yields retreated in most major regions after having risen to multi-year highs earlier in the year. The moderating outlook for global economic growth led to wider credit spreads, and the recent decline in oil prices lowered the inflation premium built into bond yields. The U.S. Federal Reserve raised its benchmark rate in December, but signaled a more patient approach to 2019. The Bank of Canada maintained its target of 1.75% in December. This quarter, the FTSE Canada Universe Bond Index rose 1.8%, and the FTSE World Government Bond Index (CAD hedged) increased 2.2%.



Canadian equities

The S&P/TSX Composite Index continued to lag many global markets although the economy continued to expand. Concerns about Canadian competitiveness, trade uncertainty, falling energy prices and property-related debt weighed on domestic stocks. In the most recent quarter, Consumer Staples, Communication Services and Utilities performed best, while Energy and Materials lagged. Health Care has been Canada's most volatile sector due to the inclusion of cannabis-related equities. The S&P/TSX Composite Index declined 10.1% during the quarter.



U.S. equities

The S&P 500 Index, which hit a record high in September, was not exempt from volatility during the most recent quarter as tighter financial conditions, rising trade protectionism and slowing global growth continued to make investors nervous. The Energy sector was driven lower by a steep decline in oil prices. Also weighing on the overall market was the fact that two of the largest companies, Apple and Amazon, dropped significantly, contributing to the underperformance of the Information Technology and Consumer Discretionary sectors. The S&P 500 Index declined 8.6% over the past quarter.



International equities

Volatility in international equities increased in October as financial markets began to reflect fears of slowing global economic growth and persistent trade worries. Asia-Pacific markets have generally underperformed developed markets in 2018 amid a confluence of challenging macroeconomic conditions, including trade tensions between the U.S. and China. In Europe, politics remain the focus for investors as Brexit deadlines approach and tensions rise over Italy's fiscal policy. This uncertain environment may result in companies scaling back plans to invest, ultimately weighing on economic growth. The MSCI EAFE Index declined 7.5%, and the MSCI Emerging Markets Index declined 2.2%.

All returns are in C\$ except where indicated. Canadian, U.S., MSCI EAFE and MSCI Emerging Markets index returns are total returns.



Portfolio Manager viewpoint

Sarah Riopelle, CFA, Vice President & Senior Portfolio Manager, Investment Solutions

After enjoying solid and accelerating global growth in 2017 and the first half of 2018, momentum has waned and we expect this trend to continue into 2019. Protectionism, European politics, rising interest rates, firming inflation and emerging-market troubles are among the risks to our outlook of decent, but decelerating, economic growth. Further gradual tightening of monetary policy is expected in this environment, and rising rates will be a headwind to fixed income returns. We remain underweight fixed income, but recognizing that bonds can provide a cushion in an economic downturn, we took advantage of the increase in yields and added to our bond allocation. While equities have been volatile, stocks still offer superior return potential versus bonds as long as earnings continue to grow as analysts expect. We remain overweight equities, but our tactical weight is well below our peak exposure from earlier in the cycle.

Recognizing entrepreneurial spirit

2018 RBC Canadian Women Entrepreneur Awards

Presented in partnership with Women of Influence, the RBC Canadian Women Entrepreneur Awards recognize the country's leading female entrepreneurs who have made impressive and substantial contributions to the local, Canadian or global economy. Through their passion and dedication, these dynamic women are leaving their mark on both the marketplace and their communities.

Chosen from a record-breaking 7,400 nominees, this year's winners are:

- **Glain Roberts-McCabe**
The Roundtable
Toronto, ON
Micro-Business Award
- **Joanna Griffiths**
Knix Wear Inc.
Toronto, ON
Staples Start-Up Award
- **Dr. Marjorie Dixon**
Anova Fertility and Reproductive Health
Toronto, ON
RBC Momentum Award
- **Latha Sukumar**
MCIS Language Solutions
Toronto, ON
Social Change Award
- **Toni Desrosiers**
Abeego
Victoria, BC
TELUS Trailblazer Award
- **Victoria Sopik & Jennifer Nashmi**
Kids & Company
Toronto, ON
Excellence in Entrepreneurship Award



We're proud to put a spotlight on this year's winners who are exceptional leaders, innovators and rising stars. Their leadership, passion and entrepreneurial spirit serve as an inspiration for the next generation of Canadian entrepreneurs."

Greg Grice

Executive Vice President, Business
Financial Services, RBC



More than

1,000,000

self-employed women account
for 37% of all self-employed Canadians.

Source: Statscan, 2017

In Canada, women-owned small-
and medium-sized enterprises generate over

\$117 billion

a year in economic activity.

Source: Global Entrepreneurship Monitor, 2015/16

For more information on the awards and how you can nominate remarkable female entrepreneurs, please visit womenofinfluence.ca/rbc-cwea.

We thank you for your ongoing trust in continuing to hold RBC Retirement Portfolios as part of your investment plan. If you have any questions or comments, please contact us or your advisor.

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