

RBC Investment UPDATE

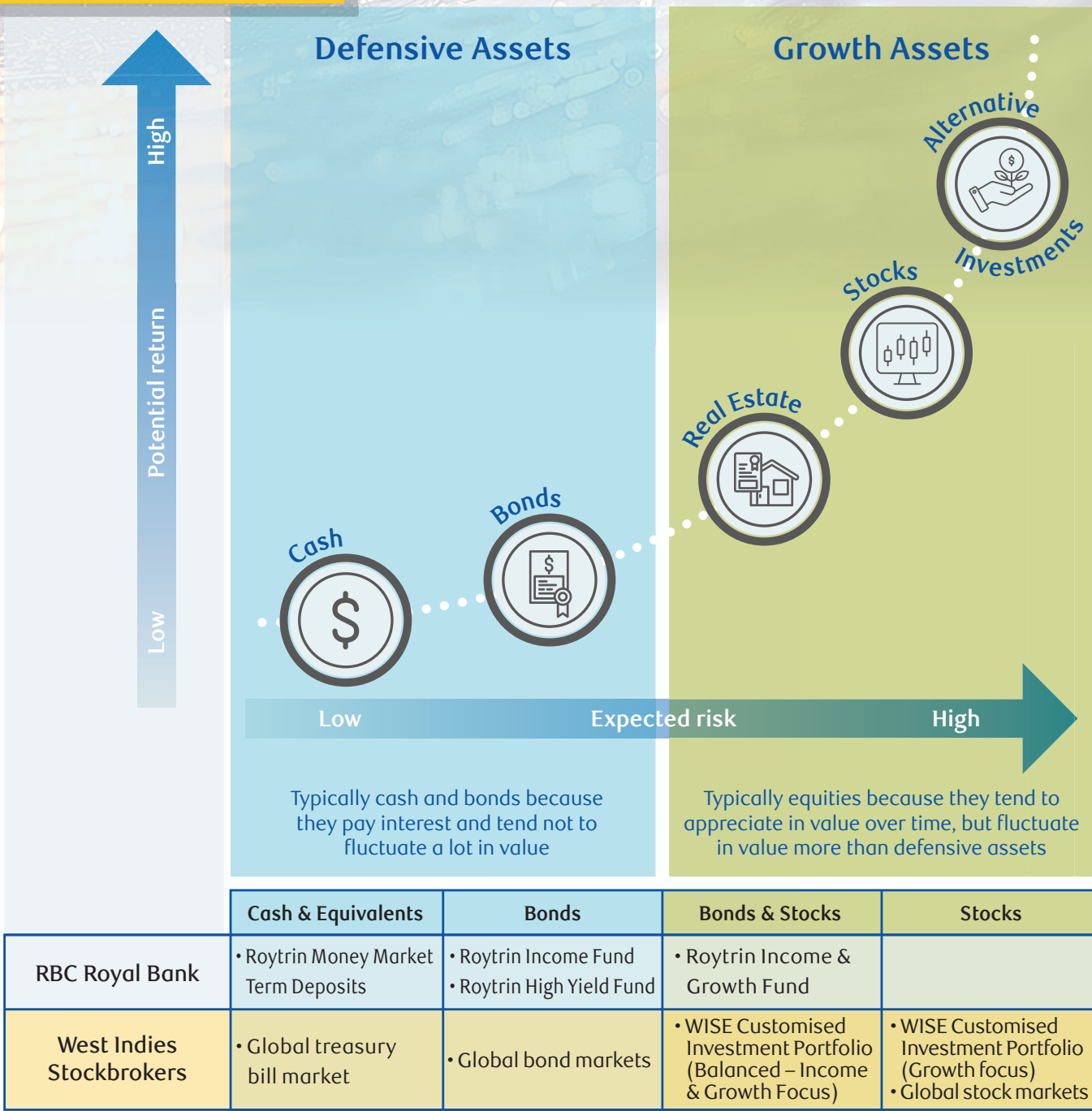


How do you think about risk as an investor?

From stocks to bonds and everything in between, every investment comes with some level of risk. Risk refers to the possibility of your investments not performing the way you expect. That may mean experiencing declines in the market value of your assets when prices fall or seeing your investments lose purchasing power because of inflation. Given that risk plays an important role in your investment decisions, it is helpful to ask yourself some questions about risk.

Risk Tolerance

Risk tolerance relates to your willingness to take on risk to achieve your goals. It's based on your beliefs, your personality and your investment experience. Think of it as your mental and emotional ability to handle possible investment losses. For example, if you are more comfortable with risk, you may choose investments that offer faster growth and higher potential returns – even if it means your holdings may lose value at times. On the other hand, if you are averse to risk, you would prefer investments that aim to 'defend' your investments against losses – even if it means you could potentially see lower returns.



Risk Capacity

Risk capacity is not based on your feelings about risk. Instead, it relates to how much risk you can afford to take based on your financial situation, your age, and the time you have to invest.

It is important to ask yourself how potential losses would affect your ability to reach your financial goals. For example:

- Are you saving for your child's education? How many years before they finish secondary school? Will you have time to make up any losses if you take more risk?
- Are you close to retiring? How much have you saved? How will it affect your plans if your retirement savings drops 5% or 10% in value before you retire?
- Is time on your side? Do you have many years to invest? Will you need to take money out of your investment account soon?

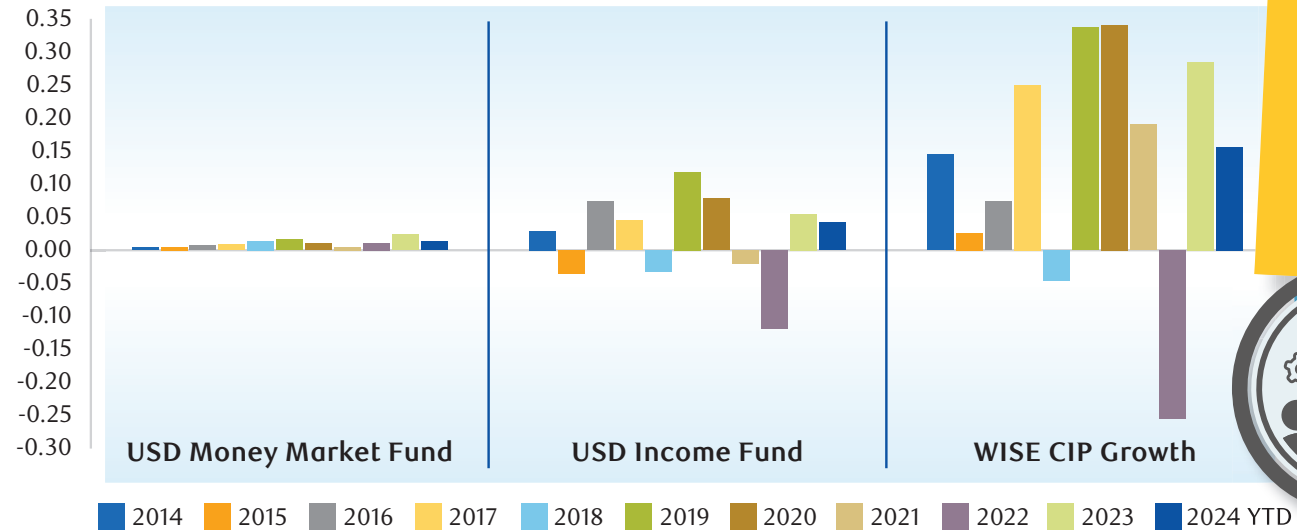
Why time is an important consideration for risk capacity

The chart below shows the comparative returns of three investment products between 2014 and 2024:

- Roytrin USD Money Market Fund (low risk)
- Roytrin USD Income Fund (medium risk)
- WISE Customised Investment Portfolio - Growth (CIP) (high risk).

You will see that the low-risk money market fund generated consistent, yet always positive returns, in each of the past 10 years. In comparison, the medium-risk and high-risk products generated significantly higher returns in most years. However, they both experienced negative returns in 2018 (due to slowing global growth) and 2022 (due to the impact of COVID-19), before recovering in later years.

Comparative Returns



¹The Customised Investment Portfolios were launched in October 2015. The returns shown prior to that date were calculated using the actual returns of the six (6) exchange traded funds (ETFs) in the portfolio and the target allocation of each ETF. The returns do not include fees

If you have a long investment horizon, you will have more time to make up for losses along the way and may therefore have the capacity for higher risk investments. The opposite is true if you have a short time to invest, in which case you may prefer a low-risk investment even if you have a high risk tolerance.

Key Takeaways:

- ✓ Risk is the possibility of an investment performing below expectations.
- ✓ Risk tolerance is how much risk you are willing to accept.
- ✓ Risk capacity is how much risk you can afford to accept based on your financial situation and investment horizon.
- ✓ Meet with your financial advisor to determine the level of risk that's right for you.



At RBC and WISE, we have tools to help you select the most suitable investment products, based on your risk tolerance and your risk capacity



Contact Us

If you would like more information about our investment products, please call RBC Royal Bank at 800-1RBC (1722) or West Indies Stockbrokers at 628-WISE (9473). We look forward to assisting you.

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