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Investment insights

To help you stay informed, RBC Global Asset Management regularly provides insights and forecasts on the global economy and capital markets, along with in-depth analysis of how certain investment trends may impact your portfolio.

To learn more, please visit rbcgam.com/insights

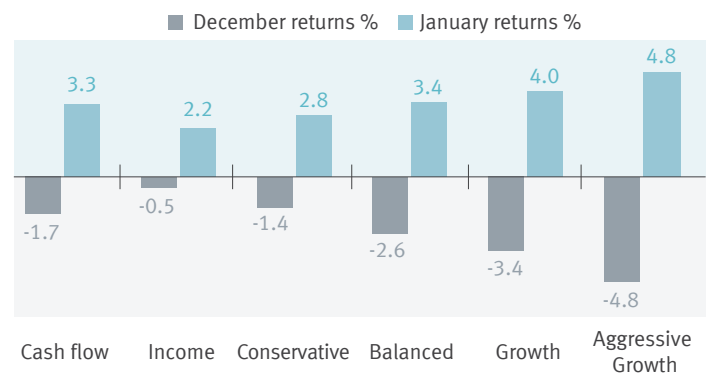
Time, discipline and a consistent approach

For many, investing can be stressful. Rapid changes in the global economy and volatility in financial markets may have some investors second-guessing whether or not their long-term goals are still on track. This quarter, we take a closer look at how our disciplined investment approach and long-term outlook can pay off for investors in RBC Managed Portfolios.

Out like a lion, in like a lamb

With spring finally here, the financial markets have seemingly thawed alongside the chilly winter weather. The end of 2018 displayed higher levels of volatility than we've grown accustomed to in recent history. And while it can be difficult to focus on long-term objectives during turbulent times, this volatility helped to remind us that trying to time the market often leads to poor investment outcomes. For example, let's look at the performance of RBC Managed Portfolios during this past December and January. The suite's decline at the end of 2018 was either almost or entirely offset by the end of January 2019, rewarding those who stayed invested.

Despite market volatility at the end of 2018, RBC Managed Portfolios recovered quickly in early 2019



RBC Managed Portfolio	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Cash flow	5.1%	4.4%	3.6%	5.8%
Income	4.2%	3.3%	3.3%	4.3%
Conservative	4.3%	4.5%	4.3%	5.8%
Balanced	3.9%	6.0%	5.4%	7.1%
Growth	3.6%	6.9%	6.0%	8.2%
Aggressive Growth	3.9%	8.5%	7.1%	9.6%

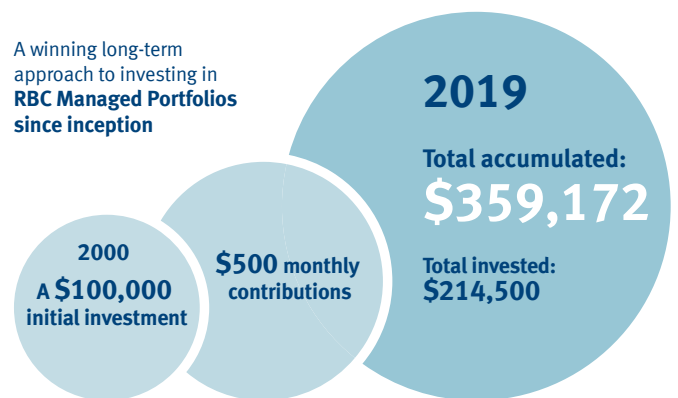
Source: RBC GAM, performance net of fees based on a \$100,000 investment. As of March 31, 2019, unless otherwise noted.

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Time in the market vs. timing the market

Equity markets can be volatile in the short term, but over the long term they tend to rise. This means that an investor who stays invested generally has a much higher probability of long-term success than one who tries to pick the perfect time to invest. While some may think “invest for the long term” is just an industry cliché, we believe that a buy and hold strategy, combined with regular investing, remains the best approach. So what has that meant for investors in RBC Managed Portfolios? Take a look at the results of this approach in RBC Managed Portfolios - Balanced Profile since 2000.

A winning long-term approach to investing in **RBC Managed Portfolios** since inception



Source: RBC Global Asset Management, February 1, 2000 - March 31, 2019

Ongoing monitoring, whatever the market conditions

While it's important to note that when markets are volatile, we keep a watchful eye out for signs of investment threats and opportunities, the exact same approach applies when market performance is smooth.

Global Investment Outlook

Senior investment professionals from across the firm meet regularly to develop economic and market forecasts. They assess global fiscal and monetary conditions, projected economic growth and inflation, as well as the expected course of interest rates, major currencies, corporate profits and stock valuations.



Active Management

Our investment outlook directly influences the direction of your portfolio through tactical asset mix changes, which are short-term adjustments to position your portfolio for the anticipated market environment.



300+ Investment Professionals

Managing a diversified investment portfolio requires dozens of daily considerations. Here are just a few that the investment professionals at RBC Global Asset Management are focused on.

Quantitative research Diversification

Portfolio optimization
Asset allocation
Currency management
Capital preservation
Rebalancing

Data analysis
Portfolio engineering

Committed to a time-tested process

As an investor in RBC Managed Portfolios, you should feel confident knowing that your portfolio is carefully monitored and assessed against the current market environment and beyond. Whatever financial markets are doing, our disciplined investment approach remains the same. Our track record, which spans three decades, speaks to how our long-term approach can help you reach your financial goals.

What happened in world markets last quarter



Fixed income

Global sovereign bonds rallied in the past quarter, reflecting the downshift in economic growth expectations, slightly lower inflation and, perhaps most importantly, the fact that central banks are no longer set to raise interest rates. The U.S. Federal Reserve (Fed) provided an update to their financial projections on March 20, which revealed no expected rate hikes for 2019, a decrease from two hikes that were penciled in last quarter. This quarter, the FTSE Canada Universe Bond Index rose 3.9%, and the FTSE World Government Bond Index (CAD hedged) increased 2.5%.



Canadian equities

Canadian equities soared this quarter after underperforming

most major global equity markets in 2018. A healthy labour market and consumer spending were the main drivers of domestic growth, while declining investment in housing and energy, as well as slowing global commodity demand tempered growth. Canada's energy sector is not in as dire shape as it was last fall, thanks to a rebound in global oil prices, but it is still a precarious environment. The S&P/TSX Composite Index rose 13.3% during the quarter.



U.S. equities

The precipitous decline in U.S. equity markets in

December coincided with extreme levels of investor pessimism, which was likely due to anxiety about Fed interest-rate hikes and another round of tariffs that U.S. and China threatened to levy on each other. The subsequent statements from the Fed that rate hikes were on hold and President Trump's new-found will to strike a trade deal with China led to a restoration of investor confidence and the stock market recovery in early 2019. The S&P 500 rose 11.2% this quarter.



International equities

While most international equities rebounded substantially in the first

quarter, Japanese stocks were hurt by weak economic data and deteriorating fundamentals. Emerging market (EM) equities rebounded more than 10% following a large sell-off in October 2018. EM equities were seen as oversold, and the rotation away from U.S. equities magnified the large rebound in January 2019. European stocks were also up amid continued Brexit squabbles. The MSCI EAFE Index increased 7.7%, while the MSCI Emerging Markets Index rose 7.6%.

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

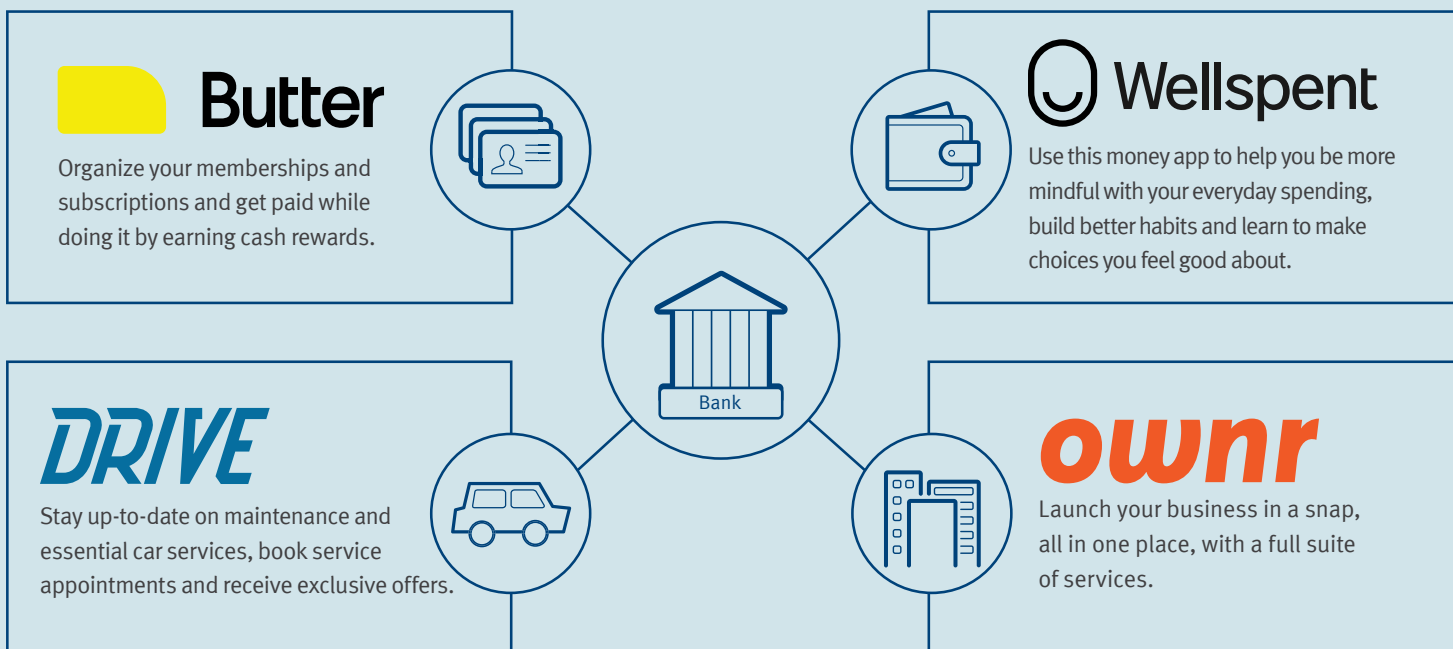
Sarah Riopelle, CFA, Vice President & Senior Portfolio Manager, Investment Solutions

Headwinds from protectionism, fading fiscal stimulus and less favourable financial conditions continue to weigh on the economy, but we expect only a mild deceleration in global growth. Amid slowing growth and tame inflation, central banks are no longer tightening monetary policy and global bond yields have declined. We remain underweight fixed income because, in our view, total returns for sovereign bonds are likely to be low or even slightly negative for an extended period. Stocks offer better upside potential, and last year's equity market correction moved our composite of global market valuations to its most attractive level in seven years. The rally since the start of 2019 began from depressed levels and our models suggest stocks can deliver further gains as long as earnings continue growing as analysts expect. Balancing the risks and opportunities, we feel that maintaining a slight overweight exposure to equities is appropriate.

RBC Ventures – Going beyond banking to make lives better

At RBC, we are committed to finding new ways to improve our clients' lives, beyond just traditional banking. Last spring, we launched RBC Ventures to build innovative products, services and apps that help solve common problems for consumers and businesses. These include things like reminders to help you manage your home, settlement services for newcomers, career preparation support for students and much more.

We now offer 13 ventures that can help make your life a little easier, so you can spend more time on the things that matter most.



You can learn more about RBC Ventures and see our full suite of solutions at www.rbcventures.ca.

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

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The RBC Managed Portfolios program is managed by RBC Global Asset Management Inc. (RBC GAM) and distributed through Royal Mutual Funds Inc. (RMFI). Investors pay a monthly fee to RMFI based on the net asset value of the investor's account. A portion of the monthly fee is paid to RBC GAM. No management fees are charged by RBC GAM to the RBC Private Pools or RBC Funds in respect of units used in the program and no sales charges or trailing commissions are payable by investors in connection with any purchases, sales, redemptions or fund switches in the program. Underlying funds and pools pay a fixed administration fee plus applicable taxes to RBC GAM for operating expenses, as outlined in the fees and expenses section of the RBC Funds and RBC Private Pools prospectus. Please read the account agreement and supporting documents and the prospectus of the participating RBC Private Pools and RBC Funds before investing in the RBC Managed Portfolios program. RBC Managed Portfolios, RBC Private Pools and RBC Funds are not guaranteed, their values change frequently and past performance may not be repeated. RMFI, RBC GAM and Royal Bank of Canada are separate corporate entities which are affiliated. RMFI is licensed as a financial services firm in the province of Quebec.

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