

# RBC Investment UPDATE

April 2023 edition



## Diversification

Diversification is all about mixing things up and it applies to various aspects of our lives. As children, we explore a variety of athletic and creative activities. In our careers, we explore ways to expand our skill set. Even when dining, we spice things up by trying a range of cuisines. For investors, diversification is about building a portfolio with different asset classes, geographic regions and industries.

Let's take a look at diversification and why it is important for your portfolio.



### Three benefits of diversification:

- 1 The potential for lower volatility in returns while generating stronger long-term growth
- 2 The opportunity to build a portfolio aligned with short-, medium-, and long-term goals
- 3 The ability to direct new investment dollars into the opportunities best aligned with your goals

### Diversification can smooth your investment returns

From the chart below, you can see that over the past five years, there were times when equities led market returns and years in which fixed income led the market. Cash has never led the market; however, it is also the only asset class that never has a negative return. Investing in a diversified mix of equities, fixed income and cash, such as the Balanced Portfolio shown in the table, can help steer you through various market conditions and help protect you from short-term market declines. Assets that increase in value can compensate for others that may be standing still or decreasing, thereby helping to reduce risk and smooth out the returns in your portfolio over the long term.

Asset Class	2018	2019	2020	2021	2022	Index
US Equities	-4.4%	31.5%	18.4%	28.7%	-18.1%	S&P 500 Index
International Equities	-16.4%	18.1%	5.1%	7.8%	-16.6%	MSCI EAFE Index
US High Yield Bonds	-2.3%	14.4%	6.2%	5.4%	-11.2%	ICE BofA US High-Yield BB to B Index
Global Bonds	-0.8%	5.9%	10.1%	-7.0%	-18.3%	FTSE World Government Bond Index
Cash & Equivalents	2.4%	1.4%	0.0%	0.0%	4.0%	U.S. 30 Day Treasury Bill
Balanced Portfolio (50% Equities; 45% Bonds; 5% Cash)	-4.1%	19.7%	11.2%	12.8%	-14.8%	

An investment cannot be made directly in an index. Index returns do not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results.

### Important tip:

As we saw in 2022, there are times when both fixed income and equities struggle, putting a diversified portfolio to the test. During these times, take a long-term view, stick to your plan and avoid trying to time markets. Discuss your objectives and review your portfolio with your Investment Specialist at RBC or your Manager – Investment Sales at WISE.



## Cash, Fixed Income, and Equities

Cash, Fixed Income, and Equities are the three main asset classes and each plays a different role in a portfolio:

Cash and equivalents	Fixed Income	Equities
Short-term and highly liquid investments such as Treasury Bills and Term Deposits	A loan issued by a government, corporation or other entity	A share of ownership in a company
<b>Key benefits:</b> Stability, liquidity, and modest income	<b>Key benefits:</b> Steady income, relative stability and an income boost over cash	<b>Key benefits:</b> Potential long-term growth, income growth, and inflation protection
<b>Typical goals:</b> Shorter-term goals or an emergency fund	<b>Typical goals:</b> A mix of different bond types can help meet numerous short- and long-term goals	<b>Typical goals:</b> Maximising growth to meet long-term goals



### Reminder

You can review the performance and investment allocation of each of the Roytrin Mutual Funds and Customised Investment Portfolios in the quarterly reports published on our websites ([rbc.com/caribbean](http://rbc.com/caribbean) and [wiseequities.com](http://wiseequities.com)).



### Contact Us

If you would like more information about our investments products, please contact RBC Royal Bank at 800-1RBC (1722) or West Indies Stockbrokers at 628-WISE (9473) or [wiseinfo@wisett.com](mailto:wiseinfo@wisett.com). We look forward to assisting you.

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## Practical ways to diversify your portfolio

- 1 **Professionally Managed Funds:** Consider investing in a mutual fund or other managed portfolio that invests in a wide range of securities.  
  
RBC's Investment Opportunities - **RBC's Roytrin Mutual Funds:**
  - Money Market Funds
  - Income Funds
  - Income & Growth Funds
- 2 **Exchange Traded Funds (ETF):** An ETF is a type of pooled investment security that operates like a mutual fund. When you buy an ETF, you are buying hundreds or even thousands of securities that may cover many asset classes, industries, and geographic regions.  
  
RBC's Investment Opportunities - **West Indies Stockbrokers:**  
You can invest in a portfolio of ETFs such as the Customized Investment Portfolios listed below:
  - Balanced – Income Focused
  - Balanced – Growth Focused
  - Growth
- 3 **Direct investing:** Purchase a range of individual securities (stocks, bonds, treasury bills, and Exchange Traded Funds) both on the local market and on international markets.

RBC's Investment Opportunities - **West Indies Stockbrokers**

