

## The Balanced-Income Focus Portfolio

### Portfolio Objective:

The primary objective of the Balanced-Income Focus portfolio is to invest in a portfolio of both bonds and equities with an emphasis on returns earned through income generation via interest and dividends. There will be some risk to capital.

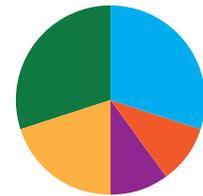
### Investment Advisor:

The Investment Advisor is RBC Investment Management (Caribbean) Limited. The Investment Advisor provides advice on portfolio allocation, ETF selection and portfolio rebalancing.

### Portfolio Strategy:

The strategy provides a diversified and balanced exposure to USD-denominated bonds and equities using Exchange Traded Funds (ETFs). The selection of ETFs will be based on the instrument's income generation: such as for bonds, the focus will be on high yielding securities that may not be Investment Grade. Securities that are not Investment Grade are referred to as "junk" bonds because they are considered lower in credit quality. This lower credit quality is compensated by higher yields. Equities will focus on securities that have consistently paid above average dividends.

### Target Portfolio Allocation:



High Yield Bonds	30%
LT US Corporate Bonds	10%
Emerging Market Bonds	10%
US REITS	20%
US Equities - Dividend Focus	30%

### Target Portfolio Holdings:

ETF Name	Allocation
SPDR Bloomberg Barclays High Yield Bond	30%
Vanguard Long Term Corporate Bond	10%
iShares JP Morgan USD Emerging Market Bond	10%
SPDR Dow Jones REIT	20%
SPDR S&P Dividend	30%

### Average Annualised Return:

Returns to Mar 31, 2022	1 Year	3 Year	5 Year	10 Year
Balanced - Income Focus Portfolio	7.3%	7.0%	6.9%	7.7%
Benchmark	7.7%	7.3%	7.2%	8.2%

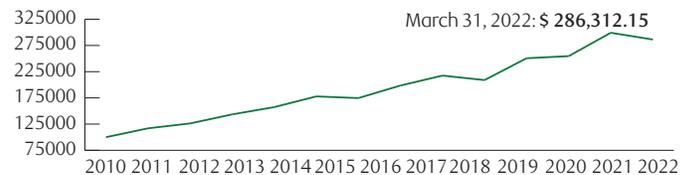
These returns do not include fees

### Historical Return to March 31, 2022:



These returns do not include fees

### The Value of a US\$100,000 Investment:



These returns do not include fees

### Who should invest? Market Outlook:

Investors seeking higher returns and those who can withstand a moderate level of risk. There is risk to capital, however, over the long-term this portfolio should outperform deposits and other short-term instruments. It is recommended investors have an investment time horizon of at least 5 years.

After the US economy grew at a robust 6.9% clip in Q4 2021 and 5.7% for the full-year 2021, a contraction of 1.4% was registered in Q1 2022, driven primarily by a surge in imports. The recent conflict between Russia/Ukraine have dampened any hopes of a quick normalization of supply chains and the inflation that has ensued. China's continued zero-tolerance policy with respect to covid-19 cases has resulted in severe and sweeping lockdowns that have halted main hubs like Shanghai. This has continued to put pressure on supply and global trade. The US Federal Reserve, once poised to normalize interest rates in a measured fashion, has now had to act rapidly to get ahead of soaring inflation. An increase of 50 bps in April and the promise to follow up with increases of similar magnitude has caused jitters to ripple through both bond and equity markets as fears of stagflation escalate. It is unclear how much impact these rate increases will have as the inflation we are seeing is

not demand-driven but more the result of protracted lockdowns, bottlenecks and more recently, elevated energy and flour prices as a result of the sanctions placed on Russia. Job creation has slowed but remains steady with 428,000 jobs created in April. Wages rose by 5.5% y-o-y and unemployment remained steady at 3.6%. The relatively strong consumer demand gives the Fed some room to raise rates aggressively to address soaring inflation. However, with unemployment so low already and wage increases being wiped out by inflation the Fed is treading a very fine line. The odds of a stagflation type of a recession have increased even as we do expect inflation to wane as we move into the latter half of 2022 and into 2023. That being said, the declines in the market look to be overdone, even when protracted inflation is factored in. As long as the consumer demand remains healthy, we remain optimistic of a recovery, albeit much delayed from our original timeframe.



# Customised Investment Portfolios

Quarterly Report as at March 31, 2022

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## Disclaimer:

The preceding information displays historical market performance of certain securities which would fall within the investment strategy of the portfolio and is for illustrative and education purposes only. Please remember that past performance of the securities identified is not indicative of future performance and there can be no assurance that the future performance of the securities referred to will meet the historical performance levels, or that the identified securities are the specific securities that will comprise the portfolio. Due to various factors, including changing market conditions, the content of the portfolio may be different.

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