WISE

An RBC™ Company

Customised Investment Portfolios

Quarterly Report as at September 30, 2022

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:

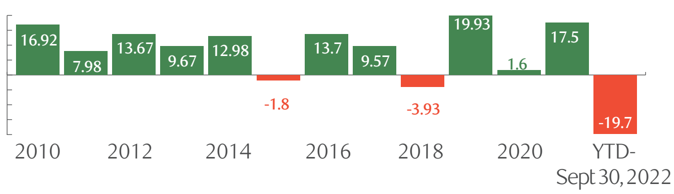
ETF Name	Allocation
SPDR Bloomberg Barclays High Yield Bond	30%
Vanguard Long Term Corporate Bond	10%
iShares JP Morgan USD Emerging Market Bond	10%
SPDR Dow Jones REIT	20%
SPDR S&P Dividend	30%

Average Annualised Return:

Returns to Sept 30, 2022	1 Year	3 Year	5 Year	10 Year
Balanced - Income Focus Portfolio	-14.2%	-1.0%	2.3%	5.2%
Benchmark	-13.9%	-0.6%	2.7%	5.7%

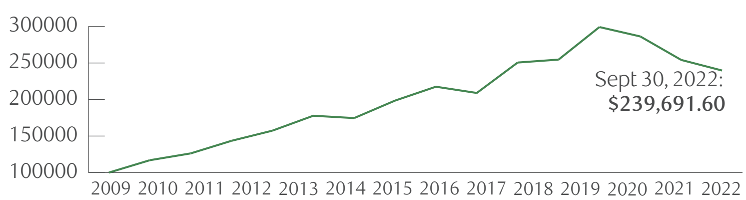
These returns do not include fees

Historical Return to September 30, 2022:



These returns do not include fees

The Value of a US$100,000 Investment:



These returns do not include fees

Who should invest?

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.

Market Outlook:

Growth in the U.S. was surprisingly positive in Q3 (+2.6%) after contractions in both Q1 and Q2. Consumer spending slowed but remained positive while the trade deficit narrowed as imports fell sharply in the face of waning demand. The Federal Reserve continued its tightening with a 75 bps increase in rates in September 2022 – its third straight consecutive increase of this magnitude since March 2022. The Federal Funds rate now stands at 3%-3.25% and consensus expectation now is for this to reach 4.25%-4.50% by year end, an upward revision from 3.25% to 3.5% in Q2. The 10-year U.S. Treasury-Bill rate has raced to 4% in response. While headline inflation crept down to 8.2% in September versus 9.1% in June, this is still unacceptably high, and we expect that the Federal Reserve will continue to raise rates aggressively, particularly as the labour market has been resilient. With the Russia/Ukraine war dragging on and an upcoming winter season in Europe, the geopolitical risks remain high. Markets have now turned their attention to an expected recession in 2023, the magnitude of which will depend largely on the severity of the impact on the job market. With unemployment at 3.5%, the economy can withstand some level of job losses, however, this is a slippery slope and will be a very difficult balancing act for the Federal Reserve. The S&P 500 contracted a further 5.28% in Q3, following a 16.45% decline in Q2. Elevated inflation and recession fears continued from Q2 leaving all but two of the S&P 500 sectors in the red in Q3. As evidence of an economic slowdown mounts, investors have focused on Q3 results to glean the extent of impact on each company, with particular focus on the outlooks given. It would not be unexpected to see most companies impacted by reduced demand, higher margins and negative currency effects from the strong U.S. dollar. Geopolitical risks aside, the economic picture has become a bit clearer in terms of consensus around an expected recession in 2023 however, differences remain as to the expected severity.

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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WISE forms part of the same financial group as Royal Bank of Canada and is a subsidiary of the Royal Bank of Canada. The Royal Bank of Canada, is the parent company of RBC Financial (Caribbean) Limited which is the parent company and 100% shareholder of WISE. The Royal Bank of Canada, therefore is the ultimate parent company of WISE, and is a related party to WISE as defined under the Securities Act, 2012 and By-Laws.

Contact:

Visit us at 4th Floor West, St Clair Place,
7 - 9 St Clair Avenue, Port-of-Spain
Call (868) 628-WISE (9473)
Email wiseinfo@wisett.com
Or visit www.wisett.com