Mark Neill: Welcome. My name is Mark Neill, and I’m the President of PH&N Investment Services. Over the last year since our last panel discussion, we’ve seen improvements in the overall health of the global economy, and with it returns in most global markets. Many of the issues that were of great concerns to investors have seemed to fade over the last year, with some being replaced by new concerns altogether.

In the short time that we have together today, we’re going to dig into the state of the global markets; what developments and concerns we are monitoring closely; and our outlook for the coming year. Of course during this time we hope this will provide you some ideas, advice and valuable information pertaining to the management of your portfolio.

I’m your moderator today. Let’s start by meeting our panellists. First, Eric Lascelles, Chief Economist for RBC Global Asset Management. He is responsible for developing and maintaining the firm’s global economic forecasts and generating macroeconomic research. He will help us interpret how issues relating to the global economy might affect investment funds returns.

Kevin De Sousa is a portfolio manager who specializes in fixed income mandates. He’s here today to speak to us about what’s going on in the world of fixed income.

Next, we have Andrew Sweeney. Andrew is a Portfolio Manager with responsibilities for Canadian portfolios and he will cover the Canadian market and share with us the forecast for the coming year.

Carl Lytollis is also here today to talk about U.S. equity markets. Carl is Head of U.S. equities at Phillips, Hager & North Investment Management.

And finally, Jenny Witterick is here to speak to us about overseas equities. Jenny is the founder of Sky Investment Council and manages international equities for Phillips, Hager & North Investment Management.

Eric, it makes sense to start with you to talk about the global markets. Perhaps you can talk a little bit about the condition of the global economy today and our outlook for the coming year.

Eric Lascelles: Absolutely. When I start by thinking back at 2013, I look at a year that wasn’t all that hot from an economic growth perspective. Growth wasn’t that fast, but there was a lot of healing that happened. And so as we work our way into 2014, we continue to believe this is the year of economic normalization in the developed world. There are two big things that are supporting faster growth in the developed part of the world. One of them is simply that governments are not cutting as much as they were, so fiscal austerity is diminishing and the other one is risk appetite has come back quite nicely. And the combination of those two factors should ensure significantly faster growth. In fact, probably the fastest growth we’ve seen since before this financial crisis struck.

So, that’s the good news. That is the main thesis. It’s worth acknowledging that there have been some challenges, not just on the horizon, but right in front of us, to that narrative. And one of them is this notion that we have actually seen some disappointing economic data through the winter. We think most of that is due to bad weather, it’s inherently temporary, but it’s nonetheless fair to acknowledge that data weakness. It’s fair to say there are some deflation concerns out there. Inflation has been very low in much of the developed world. We think it will abate, we think inflation will normalize, but for now that’s also a risk. Geopolitics is always central after crises, any number of issues there. They rarely grow in magnitude to influence the global economy, but still some issues that we’re grappling with on that front.

And the one I have the most difficulty discounting, the one that’s actually most legitimate, I think, is emerging market credit excess. It’s clear credit has driven many emerging market nations forward, and it’s equally clear some of that credit growth needs to slow. And so certainly challenges are out there. In the end, I don’t think enough to interfere with this normalization process. So from my perspective, this actually should be a fairly good year economically.

Mark Neill: Great. So, Andrew, turning to you and talking about Canadian equities with that backdrop in mind, how did Canadian equities perform in 2013?
Andrew Sweeney: Over the last year, Canadian equities actually had fairly good absolute returns, but on a relative basis, they were actually one of the poorer performing markets globally. And if you look at markets outside of Canada, they tended to do much better than we did, even though the S&P/TSX Composite Index was up about 15% over the last year. The biggest reason for that differential really just relates to the construction of the Canadian market, where we have a large exposure to material stocks, so mining stocks, and particularly gold stocks, which were down almost 50% over the last year. And that really accounted for why Canada did much worse than other global markets.

Mark Neill: And Carl, turning to you. In terms of the U.S. markets, how did the U.S. market do last year?

Carl Lytollis: Well, the U.S. market had a fairly spectacular year last year. It was up roughly 40%, about 8% of that would have been just the weakness in the U.S. dollar itself. But, you know, a lot of it was also driven by the fact that people are getting more confident in America. While there wasn’t the level of earnings growth that we would like to have seen, a lot of how the market did was really based upon how much people were willing to pay for those level of earnings. The multiples expanded a fair bit, so it was all in a very, very good year for the markets, driven a lot by very confident consumers. The consumer discretionary industrials, names like that, all did very well. It was good.

Mark Neill: And Jenny, on international markets, how did they do?

Jenny Witterick: International markets also did extremely well last year. This was, I think, underpinned by very attractive valuation in Europe, high dividend yields, low valuations and P/E.s. Japan also did very well, because of the initiatives taken by Prime Minister Abe over there, getting people really excited. So overall the developed markets overseas did very well. Emerging markets did not do as well.

Mark Neill: I think we’re going to touch on that a little bit later. And Kevin, lastly turning to you, fixed income, how did fixed income markets fair in 2013?

Kevin De Sousa: Fixed income had a big year, not in terms of returns like you saw in the equity markets, but in terms of the volatility or what’s changed. It was really a year ago roughly, so spring 2013, where you saw Ben Bernanke, the then Chairman of the U.S. Federal Reserve, talk about this quantitative easing program of buying all these bonds. Maybe it doesn’t go on forever, maybe we start to taper it, maybe we start to reduce that. And I think the bond market was expecting it to last a little longer, and so there was a bit of a surprise there. You saw the bond market reacted to a very large buyer of bonds in the market as being a potential smaller buyer of bonds in the market, and you saw the price of those bonds go down and interest rates going up. So if you look at how that impacted bond markets around the world, if you look at something like a ten-year Government of Canada bond, we saw our yields go from 1.6% to something like 2.8% all in the matter of a couple of months.

So on the year we had a slightly negative year, about 1% down for the bond market on the year. So not a massive negative, but the worst year we’ve had in close to 20 years. And then this year so far, we’ve already seen a pretty significant bounce back again. Just in the first three months, we saw a 3% return in bonds. So it’s been active.

Mark Neill: So rising rates are a certainty. They’re coming. I think we were talking earlier that we think we may see rates rise in the coming year. We’re getting a lot of questions from investors as to with that forecast, why should investors hold fixed income at all, especially in light of how equities are doing?

Kevin De Sousa: I think there are a few things there, Mark. One of them in terms of rising rates being a certainty, we should maybe talk about that. I think one of the things for investors to keep in mind is what interest rates we’re talking about, because there’s not just one, there’s many. And I think what many people when they read the paper they read about, well what’s the Bank of Canada going to do? Is the Bank of Canada going to raise rates? And the Bank of Canada controls something called an overnight rate, and literally it’s that, it’s an overnight, it’s a one-day interest rate. And if they own something like the PH&N Bond Fund, what they own are things like eight, nine and 10-year bonds. While these things are related in some way, they’re not the same.

When we talk about rising interest rates, it’s not necessarily the case when we look at that with the bonds that they own. And a good example of that is at the end of the year every economist, every fixed income manager, certainly every newspaper was talking about the certainty of rising interest rates, so what happened is that they fell. They fell by about 50 basis points in the first quarter this year and we had a pretty spectacular return just in the first quarter of this year. So I would step back a little bit from the certainty of rising rates.
In terms of why own bonds, which is really an important question that I think a lot of investors are wrestling with, is a couple of things. So, why don’t you own bonds? Are bonds that are relatively low level of interest rates, the asset class that’s going to get you rich? No, we’re not there for the return component. That heavy lifting of building wealth is going to come from the equity side of the portfolio. The key reason for owning bonds is why you bought them in the first place and why you have a balanced portfolio that most investors have some blend of both stocks and bonds. The reason for that is you want a shock absorber that when risk assets go down, you want something that’s going to go up.

Now if we look back, risk assets like equities have not one, but two once-in-a-lifetime 50% corrections in the equity markets in the last 12 years that there can be periods of crisis where this can be a volatile asset class. We haven’t seen that in the last couple of years, but it does happen. Most people just aren’t comfortable with all of their money in stocks and in an asset class that may be as volatile as that, so you want to have some bonds.

Ideally, there are two reasons for that. One is that they’re not going down when the stocks are going down, but ideally they’re even going up. So you have a shock absorber and some balance there, and that’s really why you built a balanced portfolio in the first place. And I think that’s an important reason to keep in mind in the back of your head.

I think the other thing that comes up as well is, I think you have some investors saying, “Okay, I get it, I don’t want to have all my money in stocks, but do I have to own bonds?” What if I just held cash? What if I just held money market funds? I’m going to wait for the certainty of rising rates to happen. Then I’m going to sell my cash, go back in and buy bonds. And without getting into all the math about how expectations get built in, I mean, really underlying that sentiment is that I’m going to outsmart the rest of the bond market. That somehow I have the secret news that interest rates are going to rise and nobody else has heard this. I’m going to walk in and outsmart them all. I think you just want to question that.

It’s probably not as simple as that. There are hedge funds, treasury desks of the banks and investment managers that are all pricing in their expectations. It costs you something to sell a ten-year corporate bond at 3.5% to buy a T-bill earning you 1%. You’re digging this hole while you wait for that to happen. And it probably is not quite as easy as you think in terms of being able to the just outsmart everyone by moving all your money into cash.

**Mark Neill:** Turning back to you, Eric. We talk about Janet Yellen and the new Federal Reserve Chairperson coming in. Do we expect anything different from her looking forward?

**Eric Lascelles:** Well, certainly the U.S. Federal Reserve (Fed) is the world’s bellwether central bank. It is hugely important and indeed Ben Bernanke is retiring, Janet Yellen is in place. Our expectation is that there won’t be a big change to the way monetary policy is conducted. To begin with, she is very much of the same sort of philosophies and views as Ben Bernanke was, so no need for a remarkable shift. She has been described as a dove, meaning she likes rates to be lower as opposed to higher. Given what she has shared with us so far over the first few months of her tenure, it looks like she will be continuing broadly with the current course for the Feds. So they’re still buying bonds, but ever fewer. They’re still thinking of rate hikes, but not yet. She is certainly sympathetic to high unemployment rates and the weak labour market. She doesn’t want to see, to Kevin’s point, bond yields rise too quickly. It’s important for there still to be some economic stimulus out there.

I think in the end she’s been a more than fine choice, a very strong economist. She was the number two beforehand, and one interesting fact is, did you know her husband is a Nobel Prize winner in economics? So they have a debate as to who is the better economist, even inside their house. A very strong choice.

**Mark Neill:** So lots of consistency there is to be expected.

**Eric Lascelles:** Consistency being the key. That’s right.

**Mark Neill:** Perfect. Carl, turning over to you. Probably the second most popular question, other than the question about fixed income, is about the U.S. markets. Now, you talked about the 40% return we saw in the U.S. market in 2013. A lot of investors are wondering whether the horse has left the barn, so to speak, or is the return still there for investors in that market for 2014?

**Carl Lytollis:** Well, the returns are still there, but I don’t think it would be wise to anticipate another 40% up year. The U.S. market is pretty dynamic, but as we spoke earlier, a lot of the gain last year was based upon multiple expansions. You know, our view, and Eric has alluded to it too, what we’re expecting at some point is that we’d begin to get a greater degree of earnings growth. And what we’re looking for to fuel the next leg, if you will, in the U.S. market, is really an acceleration of base earnings. Perhaps seeing a little less share repurchase by companies, which has been something...
that has been very, very powerful over the last few years. And perhaps more capital expenditures to just basically building businesses from the ground up.

Now, what we’re hoping to see when we see that is the recognition of that occurring and further confidence in the economy will help the U.S. perhaps go to the next level.

**Mark Neill:** Are we seeing consumers and businesses spending? Because I remember in a previous panel discussion we talked about the need for the consumer to show some evidence of positive thinking for corporate America to come out and start spending as well.

**Carl Lytollis:** The strongest sector in the last five years has been the consumer discretionary sector. You can’t stop Americans from spending, it appears. But the one thing I would say, and that’s been one of the concerns, you know, certainly on the industrial side, is that again more of the focus has been on raising dividends. It’s been on repurchasing shares and not nearly enough on the capital expenditures side. Like I said, we do anticipate it and we also anticipate the consumer will continue. But any slow down of that level would be a concern for us.

**Mark Neill:** One of the things that investors experienced within those gains in the U.S. market wasn’t just the U.S. market performance. It was also the deterioration in the value of the Canadian dollar, isn’t that right?

**Carl Lytollis:** That’s right. Again, last year that would have been about 20% of your overall return would have been the dollar’s depreciation.

**Mark Neill:** So of the 40% in the U.S. market, about 8% of that was just based on the currency?

**Carl Lytollis:** That’s right, the deterioration.

**Mark Neill:** When you look ahead with the U.S. market, what sort of headwinds could that market or that economy face that might impact its return potential?

**Carl Lytollis:** I’d say there’s really two. The first is, you know, we’ve talked about rising rates. What we’re concerned about is rapidly rising rates. You know, a period of time where perhaps the U.S. 10-year or 30-year bonds rise in a very quick fashion. And that’s something, the yields or those rising rates I think that would be a chill for the U.S. market. Now, our portfolio is positioned with a strong overweighting in the Financials. It wouldn’t be as much of a long-term concern, but that would be one of the features that would be troublesome to the market over the course of the year. And the other would simply be deterioration in the U.S. economy at a greater level than it’s anticipated. I mean, Eric, you’ve spoken of it, we don’t see that.

**Eric Lascelles:** Right.

**Carl Lytollis:** But if something unexpected were to come in, that would be a problem. But you don’t tend to see a lot of economic weakness in election years, so we’re hoping that may carry the day.

**Eric Lascelles:** To your point, Carl, ultimately you have to think of risks in a probabilistic sense. You can’t say with certainty whether they’ll come or not, but you can get a sense for how likely they are. I take some solace in the fact that when we run recession models for the U.S., they’re saying a recession risk is very low right now. You don’t need to take my word for it. The IMF has just come out with new numbers saying they think the risk of recession in the U.S. is well under 10% over the next year. So there’s always that small risk, but it’s certainly not something we should be budgeting into our expectations this year.

**Carl Lytollis:** No, I agree.

**Mark Neill:** Eric, sticking with you to talk about the Canadian dollar. We did see this depreciation in the value of the Canadian dollar. What are our thoughts now as to where we’re at and what the coming year might bring?

**Eric Lascelles:** That’s right. The Canadian dollar certainly has come down. It wasn’t long ago that it was near par. It’s now sitting in the vicinity of 90 cents or a little bit higher. It’s been bouncing a little bit. Our view is still that we could see a few more cents lobbed off for the Canadian dollar. With currencies you can never speak with precision, but a Canadian economy that probably doesn’t quite keep pace with the U.S. is certainly an argument for a slightly weaker currency. The Fed seems perhaps ahead of the curve when it comes to monetary policy. A central bank of Canada that’s less keen also enters that equation. So we could lose a little bit, but probably not a lot. This is not likely to be a year where another 10 cents gets lopped off as some pundits have suggested. To me, the way I view currency, is that it is certainly in part in terms of the investment implications, but also as an economist, I think about what it means for economy.

The Canadian economy has been a very interesting one recently. You probably notice I didn’t mention it in the context of some of that normalization happening in the rest of the world. That is because Canada does have certain
challenges that some of the other developed countries don’t. Its housing market is still a bit toppish. The story is probably less one in which prices are too high, more one in which condo construction is too high, but either way there could be some economic weakness that comes down the pipe from that. We may also see some underwhelming capital investment, so it probably isn’t going to be a banner year for growth, but it should be a year of growth. In fact, probably pretty similar growth to the past few years, in large part thanks to the Canadian dollar. So the 10% decline in the currency is hugely important in restoring Canadian competitiveness, helping on the export front, and keeping the Canadian economy moving, if not accelerating as, for instance, the U.S., Europe and the U.K. seem to be doing.

**Mark Neill:** So turning to the Canadian markets then. When we look for the coming year, Andrew, when we met last time as a panel we actually expected that the Canadian market was going to likely underperform, given some of the factors that are at play in the global economy. When we look ahead with the backdrop that Eric just talked about, what are our thoughts about the Canadian market for the coming year?

**Andrew Sweeney:** Our view today is really not radically different from where it was a year ago in terms of we’re quite confident that the Canadian equity market will do fine, but we’re less confident that it will actually do better than other global markets. We still think other global markets are slightly more attractive. And the reason for that really just comes back to what the Canadian market is. It’s a combination of a number of companies that are very North American or Canadian focused, and then a number of companies, predominantly resource companies, that are very much a function of what’s happening globally, particularly in emerging markets.

In terms of the first, the North American oriented companies, that’s where we’ve had a lot of exposure in our portfolios, and we’ve done well. And so we’ve seen, interestingly, you’ve seen Canadian companies be quite aggressive in terms of deploying capital, funding acquisitions and really seeking out some fairly good growth opportunities over the last few years. It’s something we don’t normally associate with Canadian companies. We think of Canadian companies as being a bit more sleepy and less aggressive than some of their counterparts in the U.S., but we’ve actually seen a number of successful growth companies. We’re continuing to look for those types of companies, but the valuations they’re trading at today is much less attractive than it was a couple of years ago.

So we think that that part of the market is kind of fairly valued, and so we’re now really looking for individual companies that have the ability to grow and execute a growth strategy.

The second component is the more resource-oriented, and that really is a function of a macroeconomic call, and the call that it predominantly relates to is growth in China. To the extent that we’ve seen China’s growth slow over the last year or so, that had a big impact on commodity prices and those commodity prices have had a big negative impact on the commodity stocks in Canada. Our view there is that we’re not convinced that China is going to be reaccelerating and the trend of slowing growth continues, which means we have to be very careful in that part of the market. We can find companies that are growing and have low costs, but we need to be very careful about anticipating that we’re going to see a significant rebound in commodity prices and commodity stocks.

**Mark Neill:** Jenny, I think we were going to talk about China a little bit later, but since Andrew brought it up, what are your thoughts about the situation in China?

**Jenny Witterick:** Well, I agree with Andrew. China is slowing down and I think this will have massive implications for Canada, but also for other emerging markets. One of the signs that we think the government in China realizes this is they’re whispering stimulus as being necessary to come back. They had been saying that they just want to develop the domestic spending and growth that way, but they’re starting to talk about building more railroads because they see that the economy is really slowing down. And I think that if China slows down, it’s the second largest economy in the world, we’re all going to feel it, particularly in the Resource sector.

**Mark Neill:** We talked about emerging markets, and actually some of the volatility in the emerging markets was raised by one of you.

**Jenny Witterick:** Correct.

**Mark Neill:** We highlighted the emerging markets last time we got together as a panel, as an opportunity, a place for investors to consider.

**Jenny Witterick:** Right.

**Mark Neill:** Emerging markets saw quite a bit of volatility in 2013, what caused that and what are our expectations going forward?
Jenny Witterick: Well, if you look over the last 10 years, there’s almost a sure bet if you had emerging markets that you’d outperform other asset classes because of the growth and the BRIC countries were very sexy in terms of having an investment there. If you look at the heavy weights in the emerging countries, which are the BRIC countries, Brazil and Russia, these are heavily oriented towards oil and gas and iron ore, commodities, all driven by growth in China. If we believe that China is going to slow down, I think that really was what affected the emerging market pullback. Emerging markets were one of the worst performing asset classes last year, and today the valuation of emerging markets is below that of developed markets. I have not seen that in quite some period of time.

We’re always company-oriented in terms of finding the best companies rather than let’s go with this country or that country, although that is also a big factor today. I think that emerging market growth is going to be less than what it has been in the past. If you take a look at emerging market indices, they’re heavily correlated to commodity prices. So we think that going forward the growth won’t be as great in emerging markets as it has been in the past, so valuations won’t be as high either. That said though, the valuations are low today and there are selective opportunities, and we are looking for those.

Mark Neill: So emerging markets still could very well deserve a place in investor’s portfolios, though expectations need to be managed in terms of return.

Jenny Witterick: Right, and selectively.

Mark Neill: Selectively.

Jenny Witterick: Yeah.

Mark Neill: Sticking with you, Jenny. Again we’ve talked in the past about Europe, and in Europe we’ve seen a lot of issues there. They seem to have dissipated or at least faded in the discussion about the markets. How have European markets performed, and what are our thoughts around Europe going forward?

Jenny Witterick: Well, European markets performed high double digits last year, and the currency also helped with the weak Canadian dollar. I think that Europe is recovering; it is not to the level that we think the U.S. will. It’s much milder. But companies in Europe were very strong in terms of having not spent on capital expenditure and preserving their cash, so that they were able to raise dividends, and that’s one of the things that we are focussing on today, is we want to buy companies that have strong cash flows and that can pay good dividends. We were able to find those companies in Europe.

In fact, overall dividend yields in Europe are much higher than other regions of the world, including the U.S. This is, I think, part of the reason why Europe did well with low interest rates. People are looking for yield. You can find good quality companies in Europe giving you that yield. I think that was a big part of Europe doing well, and with that mild recovery combined with the fact that the risk of the Euro breaking up was seen to be very low last year. Then I think that risk premium of owning Europe also diminished and provided people with an excuse to buy Europe. And so it was a very strong performer.

Mark Neill: I’m going to throw this wide open to everyone, but maybe start with you, Eric. The situation in Ukraine, which is in flux and is changing by the day, that seems to be weighing on the market or impact the overall global economy. Any particular thoughts we want to share with our investors?

Eric Lascelles: Sure, happy to. You know, at the risk of over-generalizing, it seems to me you can make a broader statement, which is after financial crises, you tend to get a lot of unrest quite naturally around the world. Unemployment rates are high and economic growth is slow, and so we’ve seen this in many cases long before Ukraine came along. So southern Europe has seen protests, and there’s been the Arab Spring, and we see unrest in Thailand, and we’ve seen some in Brazil, and of course disputes between China and Japan and the list really can go on quite a long way. But the Ukraine is one example of that, I think.

In a nutshell it summarizes this fascinating choice that eastern European nations have to make, which is on the one hand for the most part of the last two decades, they’ve been tilting themselves west towards the European Union. And suddenly that decision is in question; the European Union economically did pretty poorly for a number of years. People are wondering whether that’s the right choice, and some are choosing to tilt east back toward Russia again. And really in a nutshell that’s what the Ukraine decision came down to. The government chose to go east, the public didn’t like it, a new government came in and of course it’s gotten quite messy ever since. I think as it stands right now, and at least as I look forward to the future, this one is starting to cool down. It seems unlikely that Russia will pick
up additional countries or additional provinces inside the Ukraine. Certainly, the developments so far are relevant for the Ukrainian economy, it was a basket case beforehand, and it’s continuing to struggle now and needed an IMF bailout. It’s not great for Russia. Russian growth estimates were once 2% for 2014, they’re now down to 1% or even below.

There are absolutely consequences, but does this need to become an issue on the global stage? Does this materially affect global growth or global markets? My suspicion is not, and history tells us that when you get these sorts of military events, their affect on markets tends to be very short-lived.

**Jenny Witterick:** But you have, I think, a couple of things happening, because any sanctions against Russia hurt Europe itself. There was a lot of talk about we’ve got to do all this to punish Russia, but it was more talk than action. Particularly since we see European companies, we see about two or three a day, and they don’t want sanctions against Russia, because it’s going to hurt their exports. Someone said in Germany, citizens were told to turn down their thermostats so that they could conserve their energy just in case they weren’t going to get the gas from Russia. Energy is a big component of the dependency that Europe has with Russia.

I think that unless Putin takes further action, the markets will be very muted because there isn’t going to be retaliation that escalates. However, if he does proceed further and it becomes more serious, and if sanctions do come in, then I think world growth will have to be revised downward.

**Mark Neill:** How about you, Carl?

**Carl Lytollis:** Well, I’ll talk more towards just the U.S. market. But I mean, it’s had a great run in the last year, actually the last two or three years. And I think one of the ways we think about it is, as Kevin or Andrew have said, sometimes your asset class have good and bad years, but in almost any market, which I would characterize the U.S. market now as reasonably valued, there is always some really good pockets of opportunity, more than enough that make me feel fairly constructive about the opportunities that we see for 2014 for the U.S. market and for our portfolios.

**Mark Neill:** Great. Jenny?

**Jenny Witterick:** If we look at Europe, I would say the valuations there are fair, but we can find companies still with very attractive dividend yields. So we continue to think Europe is going to be slightly recovering, good valuations, good dividend yields, we’re okay there. Where I would be cautious and underweight today is Japan. I believe that they have structural long-term issues that will be very difficult to solve. They have a declining population and the oldest population in the world, highest debt levels and the government spends double what they take in. In the last few years, they haven’t found a solution for that.

Overall I think that we can, because we can go anywhere in the world, we can find good companies, but cautious in Japan.

**Mark Neill:** And how about you, Kevin?
**Kevin De Sousa:** As an Active Fixed Income Manager, Mark, we talk a lot about having multiple strategies as a way to try and add value. In other words, not being overly reliant on one individual tool. I think the question we get asked most often is, well where are rates going and tell me about interest rates, as if that is the only tool to add value in fixed income. And so we would just stress, I guess, to investors that there are other areas. It’s not what we view as being a very dependable, repeatable way to try and add value, and other areas that matter more would be credit, owning investment grade corporate bonds or high yield bonds or liquidity strategies like provincial bonds or mortgages.

There is a wide spectrum of PH&N Funds, RBC Funds and BlueBay Funds that are available to investors and we would suggest that there’s a team of advisors that are there to help investors with selecting across that spectrum. So give that some thought. To Andrew’s earlier point of diversifying within the asset class, there are a number of fixed income funds that won’t all do the same. You’ll want to think about in terms of how you go about building a portfolio, and so we could help.

**Mark Neill:** And lastly, you, Eric.

**Eric Lascelles:** Right. Well, it’s always easy to find an excuse to stay out of the market. There are always risks in the world, there are always frightening things out there, and there will never come a time when all of those risks are perfectly addressed. And so the perspective we take and that I take is simply, let’s look at these risks, let’s identify them, let’s evaluate how serious the risks are, and ultimately proceed on that basis.

And we’ve talked to some extent about those risks in the context of geopolitics and deflation and bad weather and some of the emerging market excesses as well, and the bottom line is most of those risks look quite manageable. They’re unlikely to flare up in a way that really does truly affect global markets adversely, and more importantly what we’re seeing beneath the surface is this economic normalization setting in a way that we haven’t seen since the financial crisis started. And so I walk away acknowledging those risks, but ultimately with a pretty constructive view on where we’re going over the next few years.

**Mark Neill:** Great discussion everyone. Thank you very much. Just a reminder to our viewers, you are not alone in trying to figure out how to apply what was discussed today to your personal circumstances. We know that risk tolerance, investment objectives and personal circumstances are different for everyone. If you have any questions, our Investment Funds Advisors are available to review your portfolio, give you advice or answer market-related questions at your convenience. Our toll-free number is listed on our website at phn.com. Thanks again for joining us.
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Publication date: April 2014.