

RBC Global Asset Management  
PH&N Institutional

# Tradex Equity Fund

Annual General Meeting

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May 8, 2020



# The New Workplace



*"I really don't mind coming into the office to work."*

Jon Adams / The New Yorker Collection/The Cartoon Bank

# Our Approach to ESG and Responsible Investment

## Reducing Risk and Improving Returns



- Integrating ESG can help identify risk, but also identify and enhance investment opportunities
- Engagement is an essential part of Responsible Investment, and is more powerful than divestment or exclusion. Our scale increases our influence
- We advocate on legal and regulatory initiatives for investors, including disclosure to protect investors and foster fair and efficient capital markets

### Commitments Include:

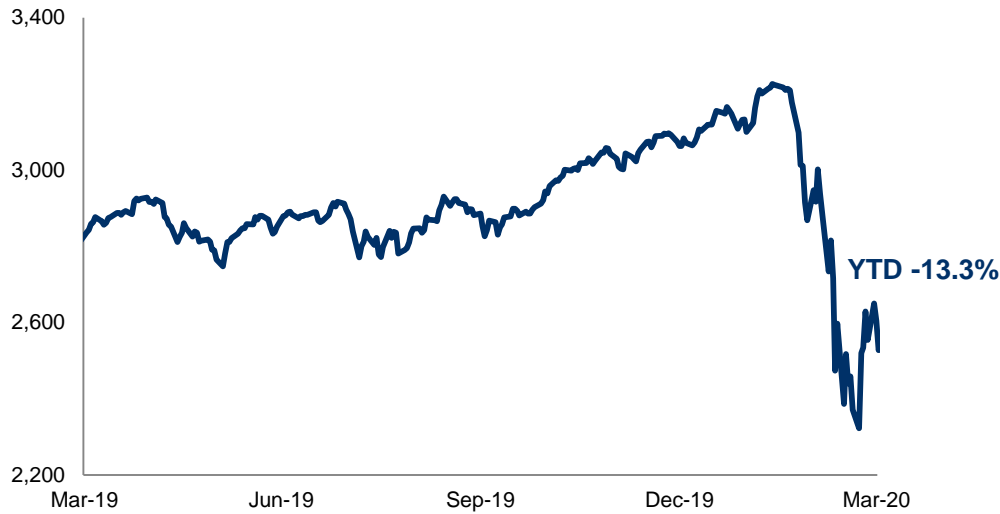
- UN Principles of Responsible Investment Signatory
  - A+ Grade in 2019
- Founding Member of the Canadian Coalition of Good Governance
- 30% Club Investor Group
  - Objective of a minimum of 30% women on boards and at the executive management level by 2022



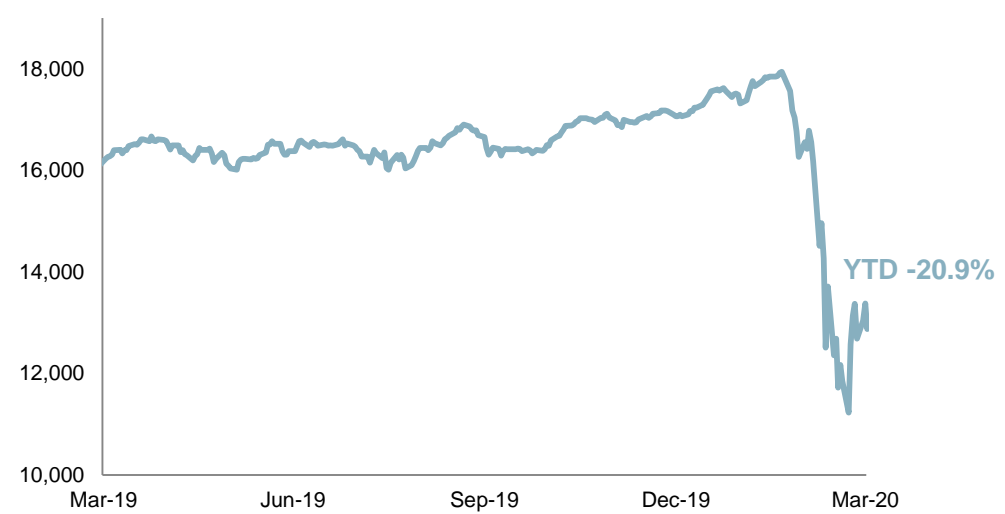
# Bear Market Impacts: TSX Suffered Most Severe Setback

As of March 31, 2020

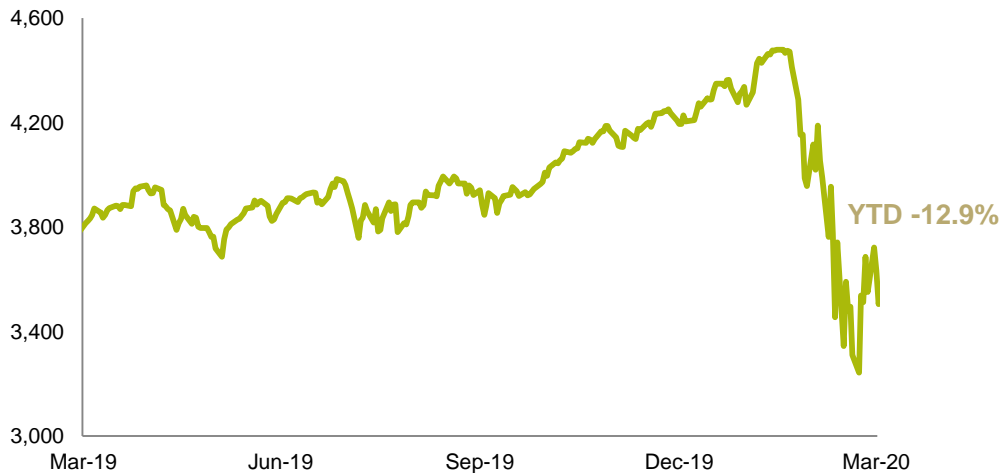
### Global Index



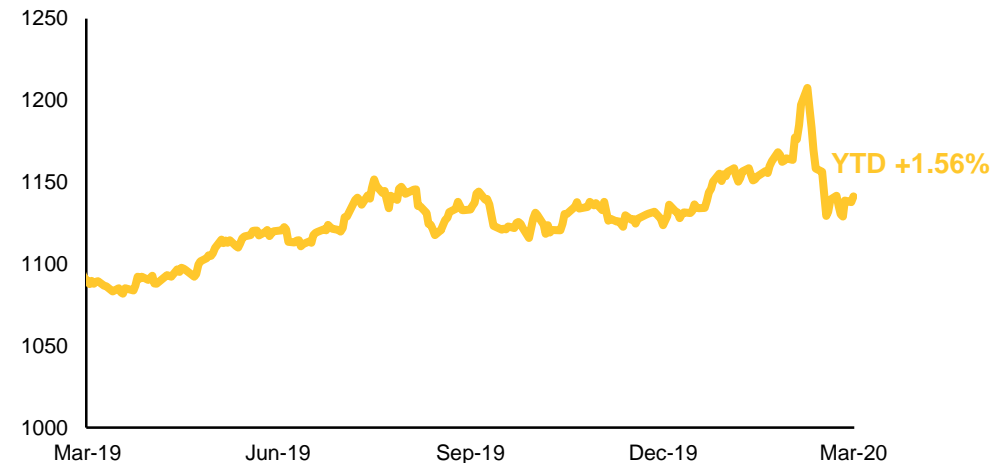
### S&P/TSX Composite Index



### S&P 500 Index



### FTSE Canada Universe Bond Index Total Return Index



Source: RBC GAM

Note: Returns shown in Canadian dollars

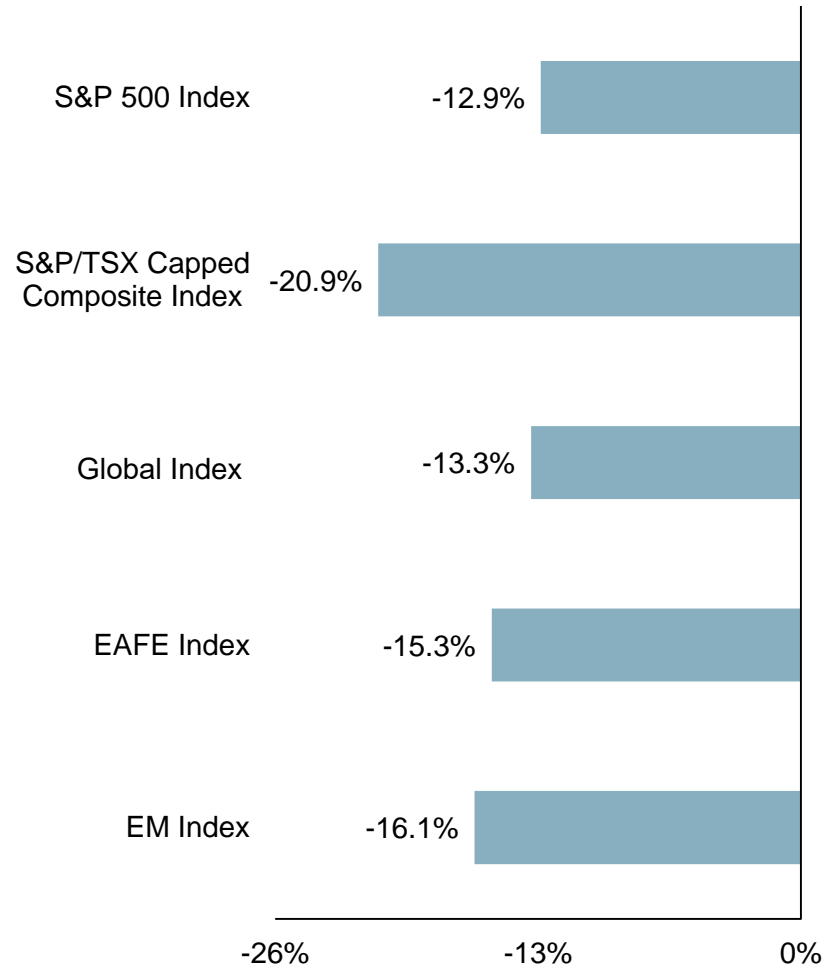
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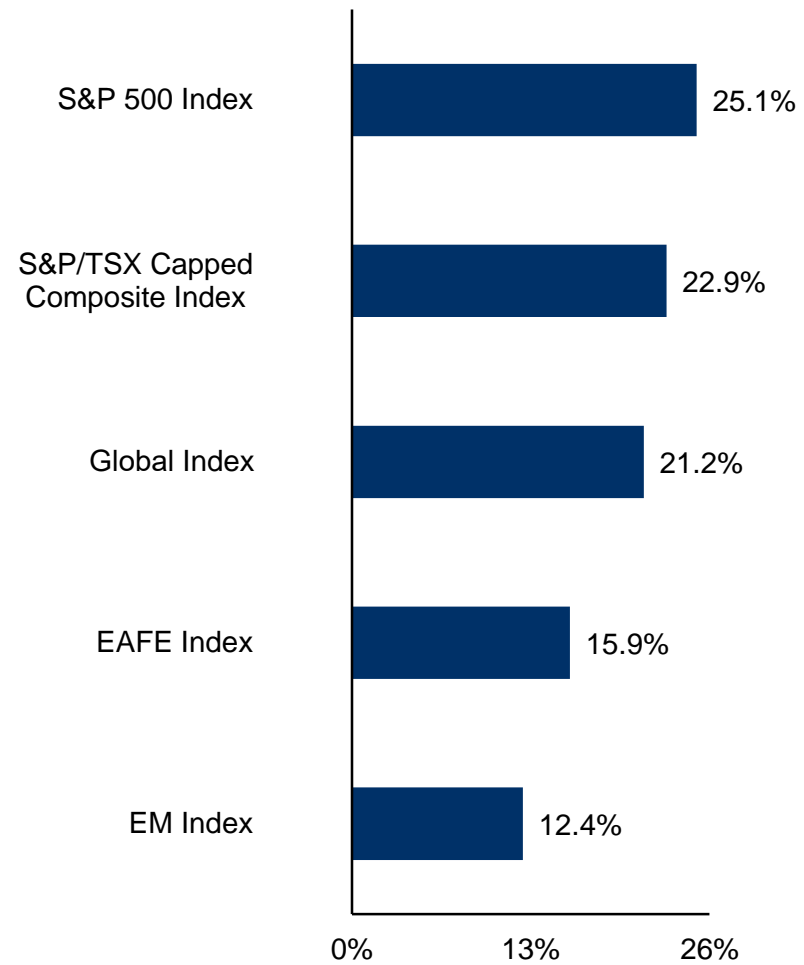
# Global Equity Market Reversal

## TSX Underperforms In Up/Down on Composition (Energy/Financials) and C\$

Global Market Performance (C\$)  
YTD: March 31, 2020



Global Market Performance (C\$)  
1Yr: December 31, 2019



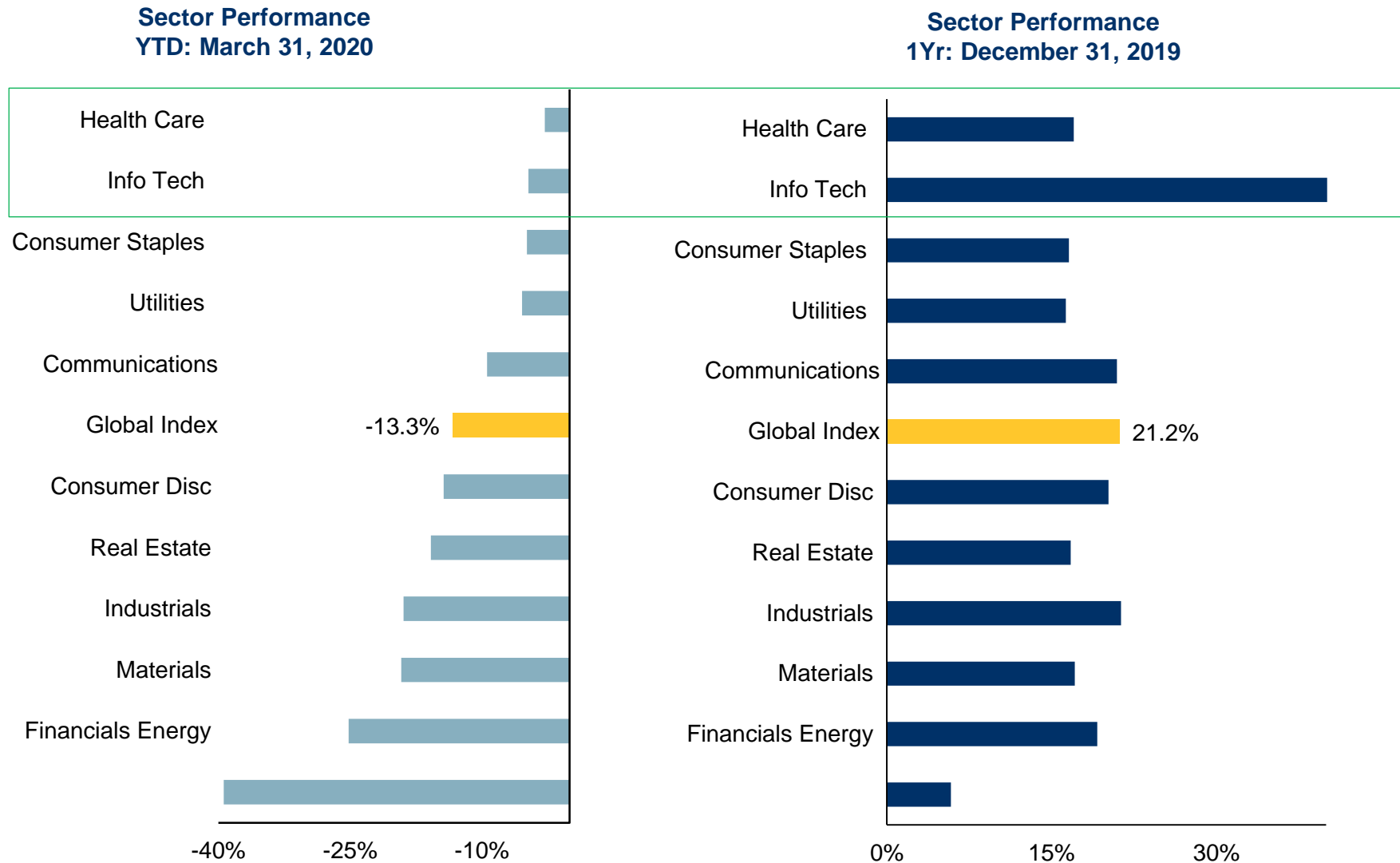
Source: RBC GAM Performance

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# Global Equity Market Performance

## Health Care and IT Keep Winning In Up/Down Markets



Source: RBC GAM Performance

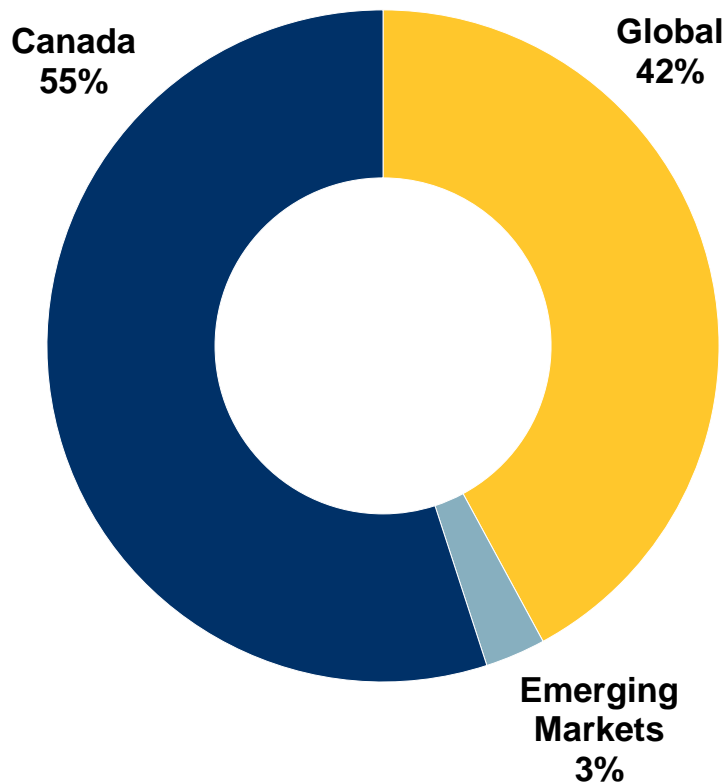


# Why Global Stock Picking Matters

# Tradex Equity Fund – Comprehensive Opportunity Set

## Active Stock Picking Globally

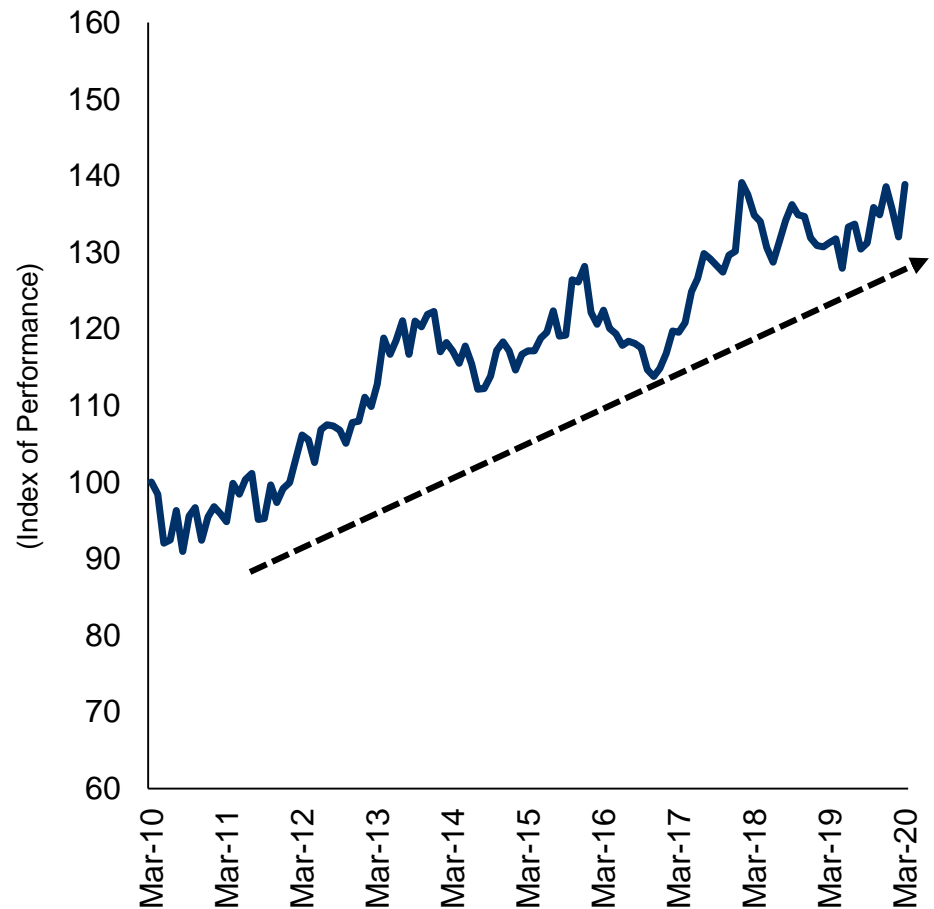
Tradex's Global Blend: March 2020



Note: Canadian allocation includes 1.5% cash

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Global Index Relative to S&P/TSX

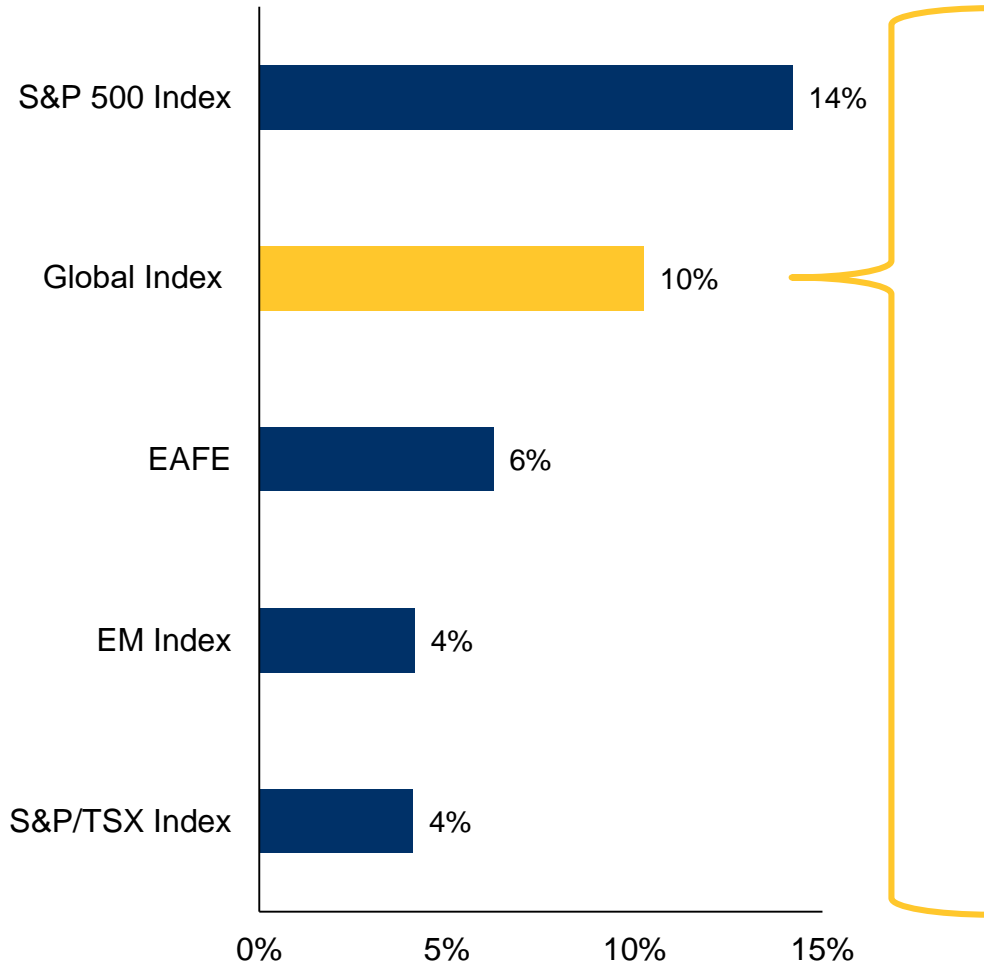




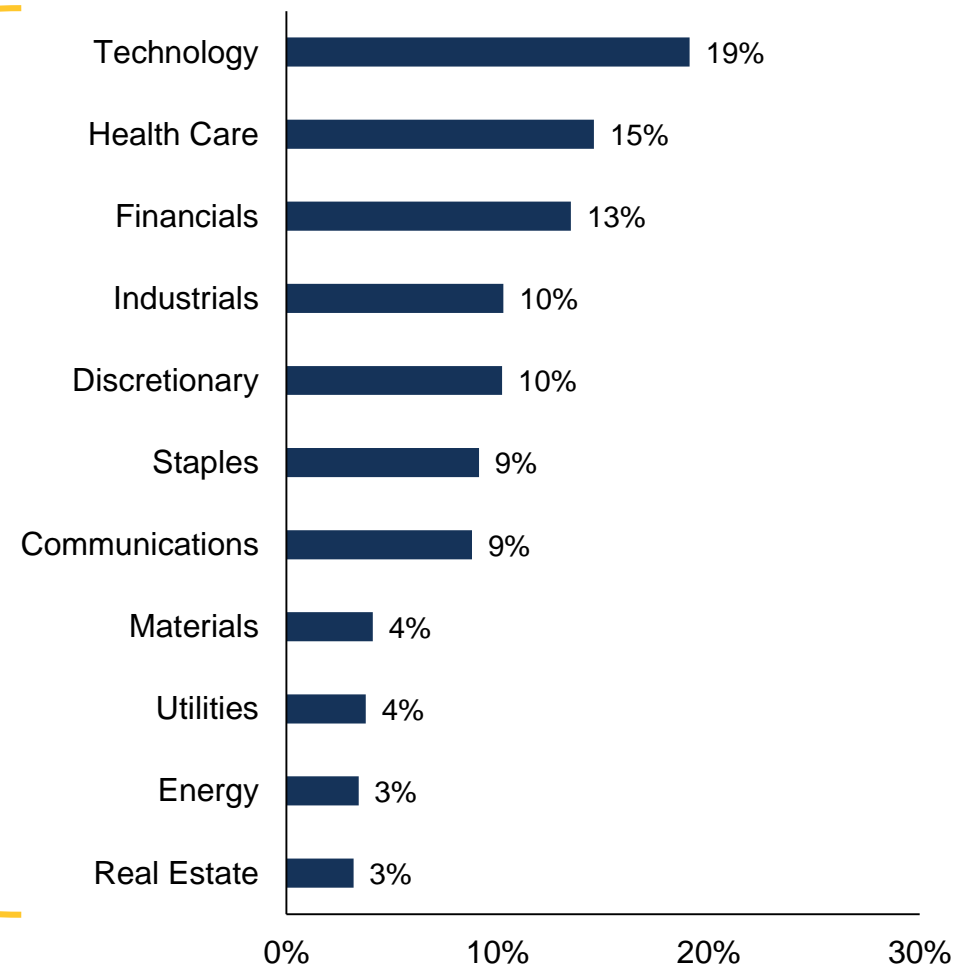
# Global Stocks Still Way Out In Front Over the Past Decade

## TSX Has Faced Numerous Headwinds

**Annualized Performance (C\$)**  
*March 2010-2020*



**Global Index**  
*Sector Weights March 2020*



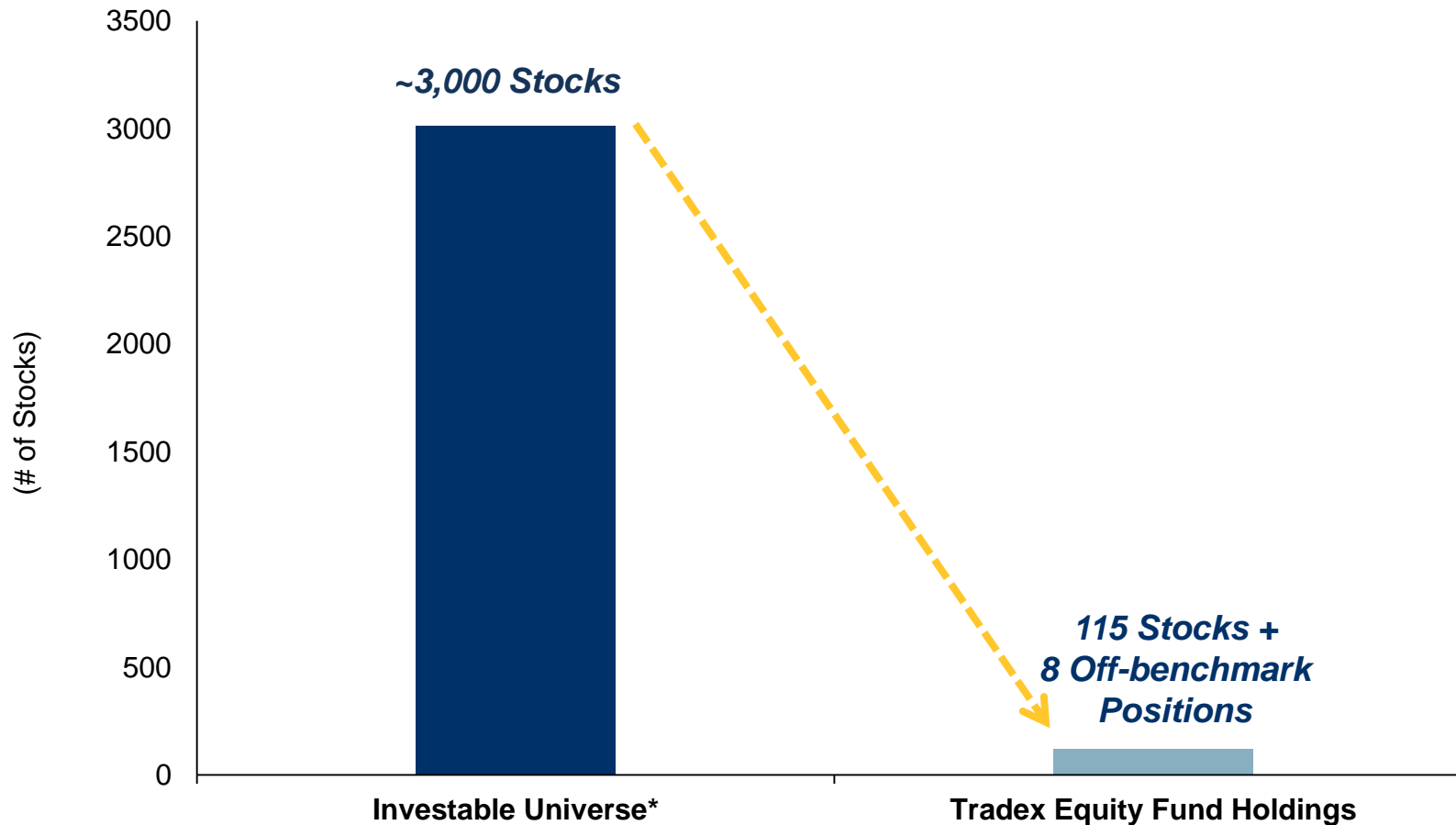
Source: RBC GAM Performance

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# Tradex Equity Fund

Differentiated by Off-benchmark Positions and Number of Holdings



\*Investable Universe: Canadian, Global and Emerging Markets Equity Benchmarks  
Source: RBC GAM; As of March 31, 2020

# Solid Long-term Outperformance

Supported by Strong Stock Picking & Foreign Equity Exposure

	3 Months	1 Year	3 Years	5 Years	10 Years
As of March 31, 2020	(%)	(%)	(%)	(%)	(%)
<b>Tradex Equity Fund Ltd.</b>	<b>-18.9</b>	<b>-11.5</b>	<b>0.7</b>	<b>2.5</b>	<b>5.5</b>
S&P/TSX Composite Index	<u>-20.9</u>	<u>-14.2</u>	<u>-1.9</u>	<u>0.9</u>	<u>4.1</u>
<b>Performance vs. TSX Index</b>	<b>+2.0</b>	<b>+2.7</b>	<b>+2.6</b>	<b>+1.6</b>	<b>+1.4</b>

Post-fee performance figures sourced from Globefund  
Total may not add to 100% due to rounding

Source: Morningstar  
As of March 31, 2020

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# Staying Ahead of the Competition Long-term

## Working to Capitalize on Our Advantages

	3 Months	1 Year	3 Years	5 Years	10 Years
As of March 31, 2020	(%)	(%)	(%)	(%)	(%)
<b>Tradex Equity Fund Ltd.</b>	<b>-18.9</b>	<b>-11.5</b>	<b>0.7</b>	<b>2.5</b>	<b>5.5</b>
Peer Group Average	<u>-18.5</u>	<u>-12.5</u>	<u>-2.4</u>	<u>-0.0</u>	<u>3.9</u>
<b>Performance vs. Peer Group</b>	<b>-0.4</b>	<b>+1.0</b>	<b>+3.1</b>	<b>+2.5</b>	<b>+1.6</b>

Post-fee performance figures sourced from Globefund  
Total may not add to 100% due to rounding

Source: Morningstar  
As of March 31, 2020

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# Long-term Outperformance Remains Strong

#12 of 414 Funds in Morningstar Focused Universe

	3 Months	1 Year	3 Years	5 Years	10 Years
As of March 31, 2020	(%)	(%)	(%)	(%)	(%)
<b>Tradex Equity Fund Ltd.</b>	<b>-18.9</b>	<b>-11.5</b>	<b>0.7</b>	<b>2.5</b>	<b>5.5</b>
Peer Group Average	<u>-18.5</u>	<u>-12.5</u>	<u>-2.4</u>	<u>-0.0</u>	<u>3.9</u>
<b>Performance vs. Peer Group</b>	<b>-0.4</b>	<b>+1.0</b>	<b>+3.1</b>	<b>+2.5</b>	<b>+1.6</b>

<b>Tradex Quartile Ranking</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
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Post-fee performance figures sourced from Globefund  
Total may not add to 100% due to rounding

<b>Tradex Percentile Ranking</b>	<b>12</b>	<b>27</b>	<b>13</b>	<b>13</b>	<b>32</b>
Number of Funds in Category	414	413	299	211	121

Source: Morningstar  
As of March 31, 2020

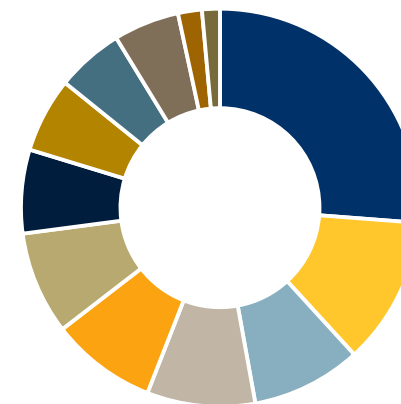
# Tradex Equity Fund Positioning

# Tradex Equity Fund Composed of Global Leaders

Characteristics as of March 31, 2020

Top Holdings	Weight (%)	Country	Breakdown
Royal Bank of Canada	4.0	Canada	Financials
Toronto Dominion Bank	3.6	Canada	Financials
Roche Holding	2.7	Switzerland	Health Care
Enbridge	2.4	Canada	Energy
Canadian National Railway	2.3	Canada	Industrials
UnitedHealth Group	2.3	USA	Health Care
Danaher	2.3	USA	Health Care
Microsoft	2.2	USA	Info Tech
Bank of Nova Scotia	2.2	Canada	Financials
Brookfield Asset Management	2.0	Canada	Financials
TC Energy	2.0	Canada	Energy
American Water Works	2.0	USA	Utilities
Alphabet	1.9	USA	Communication
TJX	1.7	USA	Cons. Disc
Shopify	1.7	Canada	Info Tech

Breakdown by Sector



- Financials, 26.2%
- Industrials, 12.0%
- Information Technology, 8.9%
- Energy, 8.8%
- Health Care, 8.6%
- Consumer Discretionary, 8.4%
- Materials, 6.8%
- Communication Services, 6.1%
- Utilities, 5.5%
- Consumer Staples, 5.3%
- Real Estate, 1.9%
- Unclassified, 1.5%

Breakdown by Region



- Canada, 55.0%
- Global, 42.1%
- Emerging, 2.9%

Source: RBC GAM; Yellow: Canadian holdings; Light Blue: Global holdings  
 Note: Canadian allocation includes 1.5% of Canadian Dollars

# Tradex Fund – Canadian Positioning

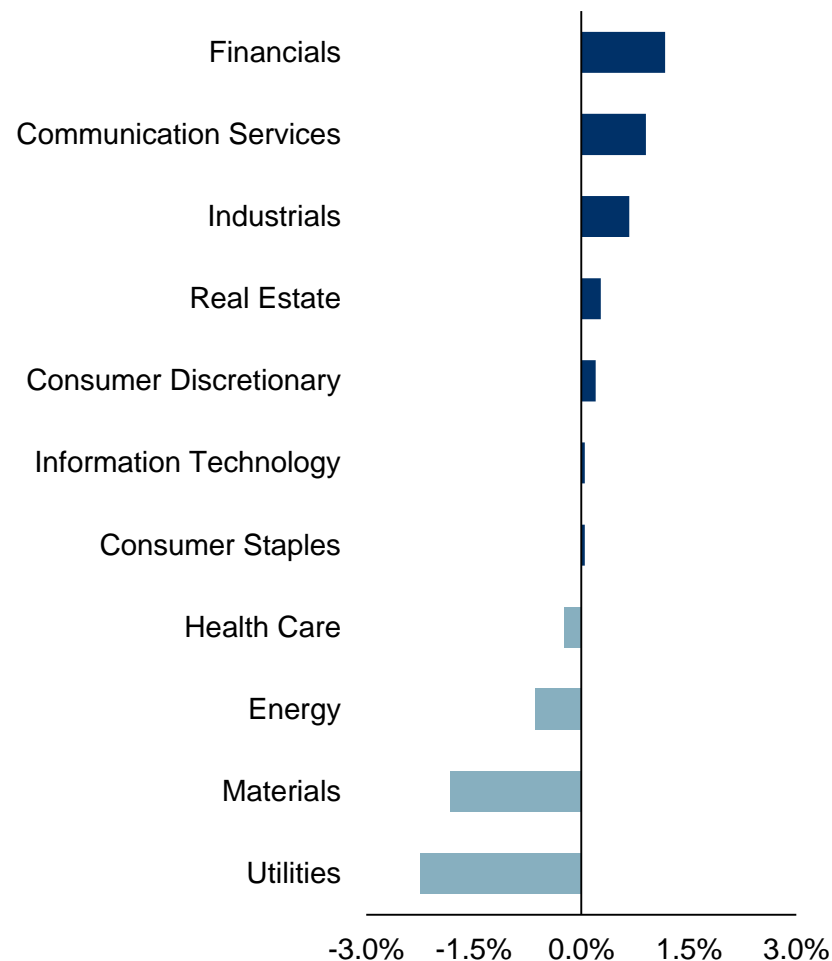
As of March 31, 2020

Top 5 Active Weights	Sector	Active Weight (%)
Thomson-Reuters	Industrials	0.8%
Nutrien	Materials	0.6%
Canadian Pacific Railway	Industrials	0.6%
Descartes Systems Group	Info Tech	0.5%
Alimentation Couche-Tard	Consumer Staples	0.5%

Bottom 5 Active Weights	Sector	Active Weight (%)
Fortis	Utilities	-0.7%
Emera	Utilities	-0.7%
Metro	Consumer Staples	-0.8%
Constellation Software	Info Tech	-1.3%
Barrick Gold	Materials	-2.4%

	# of Securities	Dividend Yield	Beta
<b>Tradex Equity Fund – Canadian Equities</b>	<b>87</b>	<b>4.0%</b>	<b>1.0x</b>
S&P/TSX Capped Composite Index	231	4.0%	1.0x

Canadian Equity Component Active Sector Weight vs. S&P/TSX Capped Composite Index



As of March 31, 2020





# What Characteristics Do We Seek in our Global Leaders?

## Strong Competitive Dynamics & That Embrace Digital Transformation

Transportation & Logistics	Health Care	Digital Transformation
<ul style="list-style-type: none"><li>▪ <b>CP Rail</b> (1.6%)</li><li>▪ <b>Nidec</b> (1.1%)</li></ul>	<ul style="list-style-type: none"><li>▪ <b>UnitedHealth Care</b> (2.3%)</li><li>▪ <b>Danaher</b> (2.3%)</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Shopify</b> (1.7%)</li><li>▪ <b>Nvidia</b> (1.0%)</li></ul>
Financials	Workflow Management	Sustainability Focused
<ul style="list-style-type: none"><li>▪ <b>MarketAxess</b> (1.1%)</li><li>▪ <b>SVB Financial</b> (1.0%)</li></ul>	<ul style="list-style-type: none"><li>▪ <b>CGI Group</b> (0.7%)</li><li>▪ <b>Kinaxis</b> (0.3%)</li></ul>	<ul style="list-style-type: none"><li>▪ <b>American Water Works</b> (2.0%)</li><li>▪ <b>Neste</b> (1.0%)</li></ul>

As of March 31, 2020

# Canadian Positioning: Technology Positions

Overweights Performed Well. Shopify Performed Best.

	CGI	Descartes	Kinaxis	Open Text	Shopify
Proven cash flow generation, history of profitability	✓✓	✓✓	✓	✓✓	✗
Sticky customers	✓	✓✓	✓✓	✓	✓
IP moat	~	✓	✓✓	✓	✓
Large end market	✓	✓✓	✓✓	✓	✓✓
Strong, well-aligned management teams	✓	✓✓	✓	✓	✓
Disrupting an existing market	~	✓	✓✓	✗	✓✓
Reasonable valuation	✓	✓	✓	✓	✗
One year average TSX weight	1.06%	0.19%	0.10%	0.64%	2.03%
<b>Tradex Cdn Equity active weight</b>	<b>+0.17%</b>	<b>+0.46%</b>	<b>+0.27%</b>	<b>+0.45%</b>	<b>-0.18%</b>
One year performance relative to the TSX	-2.94%	+14.41%	+53.86%	+11.84%	+128.65%

As of March 31, 2020  
 Source: RBC GAM  
 TSX: S&P/TSX Capped Composite Index

# Tradex Fund – Global Positioning

As of March 31, 2020

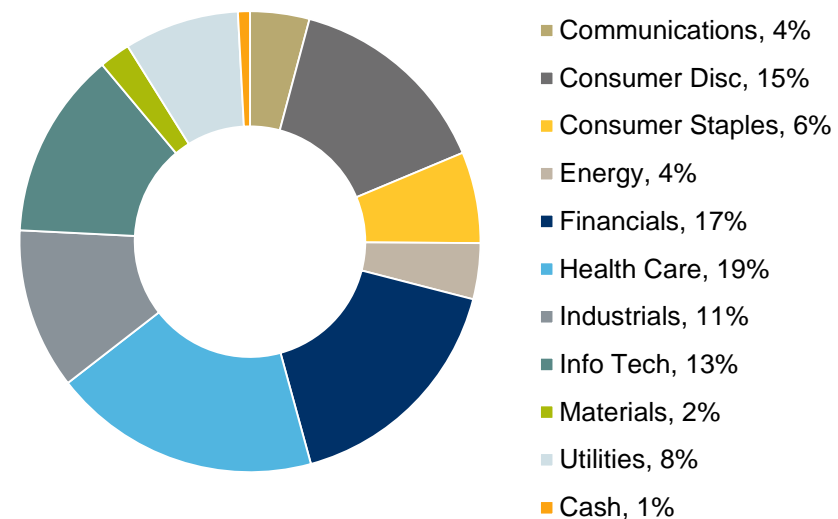
Top 10 Holdings	Sector	Portfolio (%)	Country
Roche Holding	Health Care	6.5	Switzerland
Microsoft	Info Tech	5.3	USA
Danaher	Health Care	5.3	USA
UnitedHealth Group	Health Care	5.1	USA
American Water Works	Utilities	4.5	USA
TJX Companies	Consumer Disc	4.2	USA
Alphabet	Communications	4.2	USA
Amazon	Consumer Disc	3.8	USA
Deutsche Post	Industrials	3.7	Germany
Orsted	Utilities	3.5	Denmark

	# of Securities	Dividend Yield
<b>Tradex Equity Fund - Global</b>	<b>36</b>	<b>1.8%</b>
Global Index	1643	2.9%

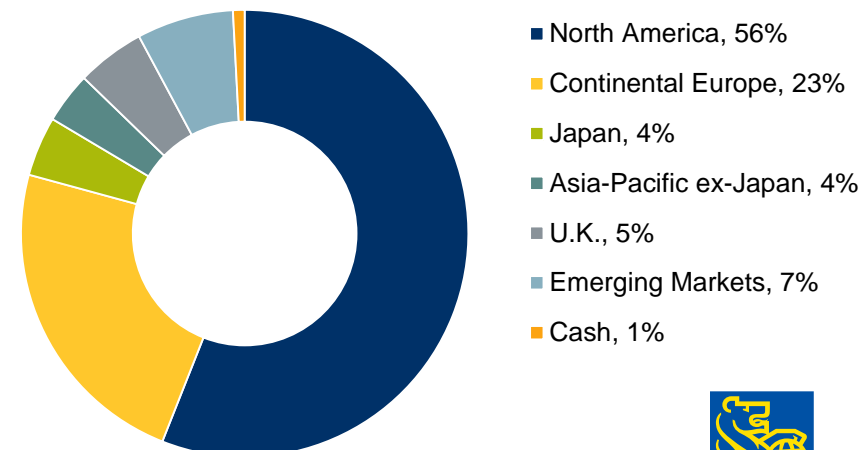
Source: RBC GAM, Series O  
The yield shown is calculated based the average dividend yield of the stocks held by the fund.

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## Breakdown by Sector



## Breakdown by Region



# Tradex Fund – Global Equities

## Leading Competitive Dynamics Apparent in the Most Challenging Environments

<b>Business model</b> ✓	Distinguished by competitive advantages in e-commerce, cloud, AI, computing and gaming
<b>Market share growth</b> ✓	Unique business', continuous innovation, and industry leading positions driving market share growth
<b>End-market growth</b> ✓	Secular growth industries; global pandemic likely to accelerate pace of technological adoption
<b>Management &amp; ESG</b> ✓	Positive impact in combating COVID-19 (e.g. cloud support, meal & essential supplies deliveries)

### Amazon



Rating	A1
Weight	3.8%
Performance	+16%
Attribution	+0.3%

### Microsoft



Rating	A1
Weight	5.3%
Performance	+10%
Attribution	+0.4%

### Nvidia



Rating	A1
Weight	2.2%
Performance	+23%
Attribution	+0.5%

# Tradex Fund – Global Equities

## Orsted – Global Green Energy Utility & Largest Developer of Offshore Wind Farms

### Business Profile

- Formally known as Danish Oil and Natural Gas Energy
- Transformed from black to green energy a decade ago
- Track record of project management & execution excellence
- Global leader in offshore wind (30% market share)

### Competitive Dynamics

Business model ✓

Leading the transition to sustainable energy solutions

Market share growth ✓

Growing market share from traditional Energy and Utility companies

End-market growth ✓

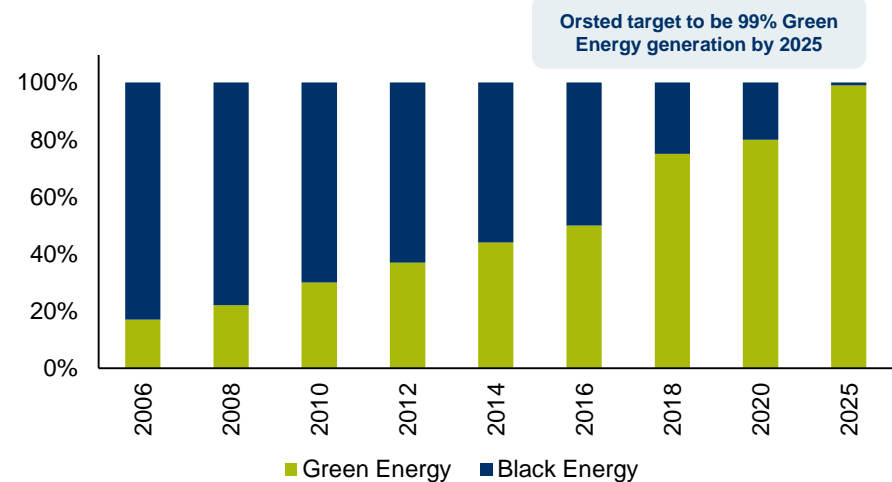
Positioned to benefit from structural shift towards clean energy and growing global demand

Management & ESG ✓

Ranked #1 on Global 100 Most Sustainable Corporations list<sup>1</sup>



### Green Share of Power



Source: Orsted; RBC GAM

<sup>1</sup>Corporate Knights 2020 Global 100 Most Sustainable Corporations list: Methodology is based on key performance indicators covering resource management, employee management, financial management, clean revenue and supplier performance

# Tradex Fund – Global Equities

## Financial Sector Positioning and Performance



<sup>1</sup>As of March 31, 2020  
Source: RBC GAM

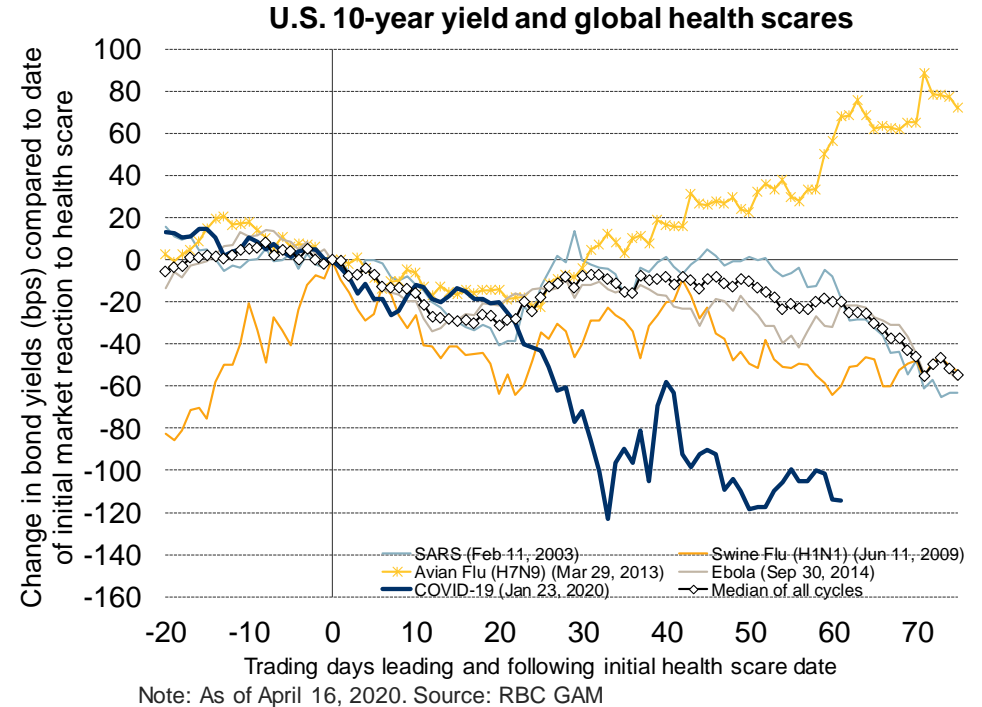
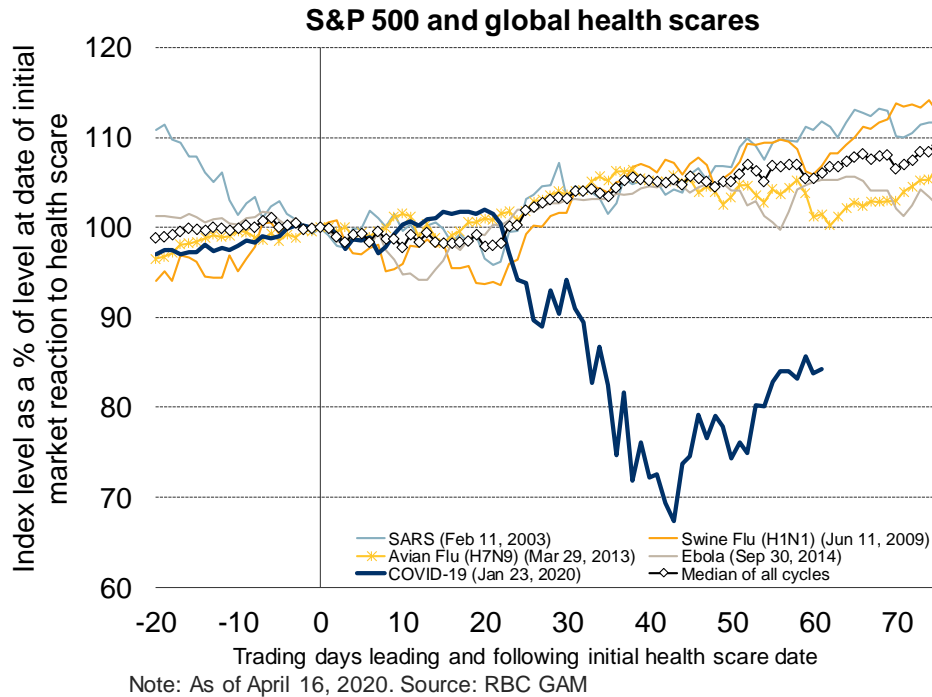
## Conclusion

Why were markets caught off-guard?

Is the outlook improving as quickly as markets?

# Why Were Markets Caught Off-Guard?

Complacency. Past Global Disease Scares were False Alarms



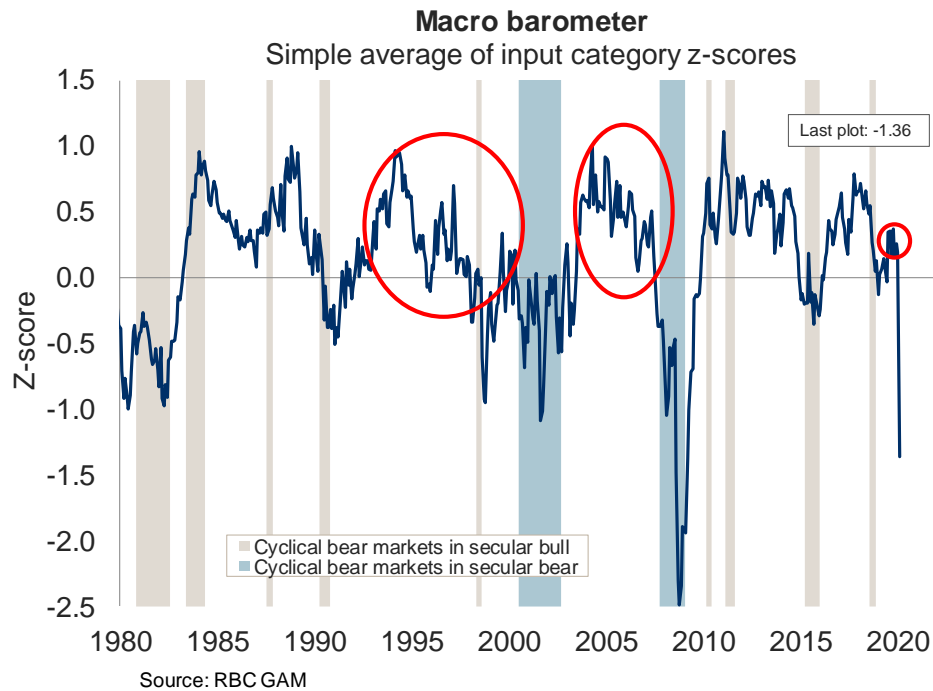
## GLOBAL HEALTH SCORES

Event	Date	Decline		Recovery	Reaction	Return						
		Days	%			Days	Period	1 Day	1 Week	1 Month	3 Months	1 Year
SARS outbreak	Feb 11, 2003	25	-7	4	29	-1.0%	0.7%	-5.0%	10.2%	34.0%	37.9%	53.8%
Swine Flu (H1N1) outbreak	Jun 11, 2009	19	-7	6	25	0.4%	-2.8%	-6.8%	9.2%	16.4%	43.9%	92.7%
Avian Flu (H7N9) outbreak	Mar 29, 2013	0	0			0.0%	0.2%	1.6%	2.3%	12.0%	20.3%	63.6%
Ebola outbreak	Sep 30, 2014	12	-5	10	22	-0.2%	-0.5%	1.9%	5.7%	-6.0%	31.2%	57.1%



# Why Were Markets Caught Off-Guard. What Now?

Volatility Peaks as Barometer Plunges. Typically Add Risk as it Falls and Bottoms



Sentiment  
 Inflation  
 Economic surprises  
 Valuations  
 Economic leading indicators  
 Financial conditions  
 Equity fundamentals  
 Credit  
 Technicals  
 Employment

**OVERALL BAROMETER**

Source: RBC GAM

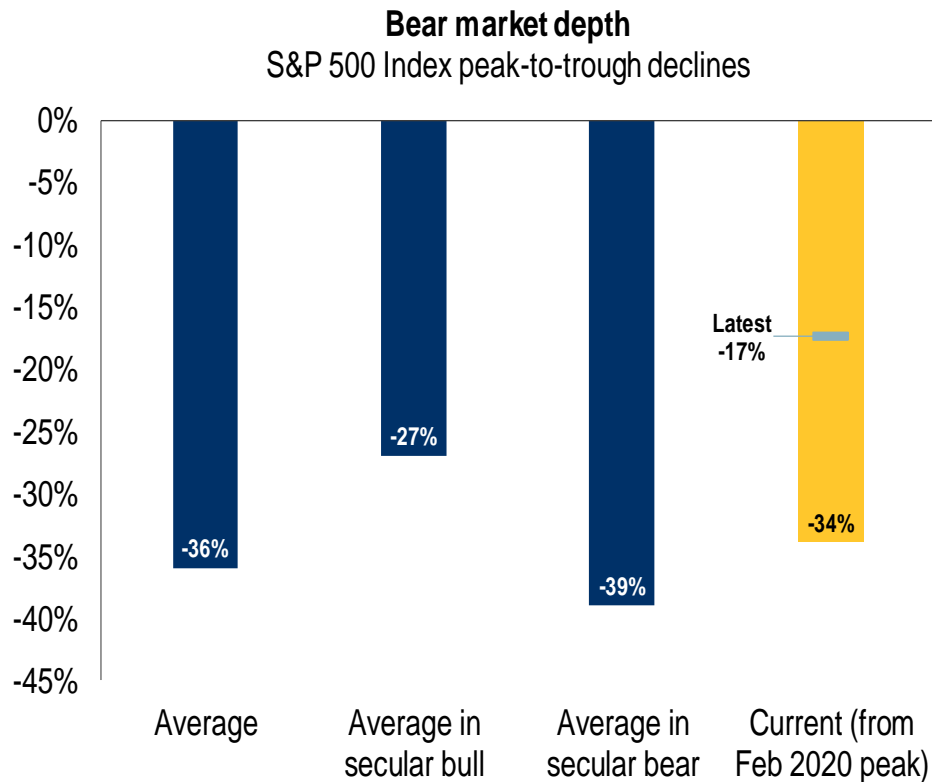
## Macro barometer categories dashboard

Current state    1-month change    3-month change    12-month change

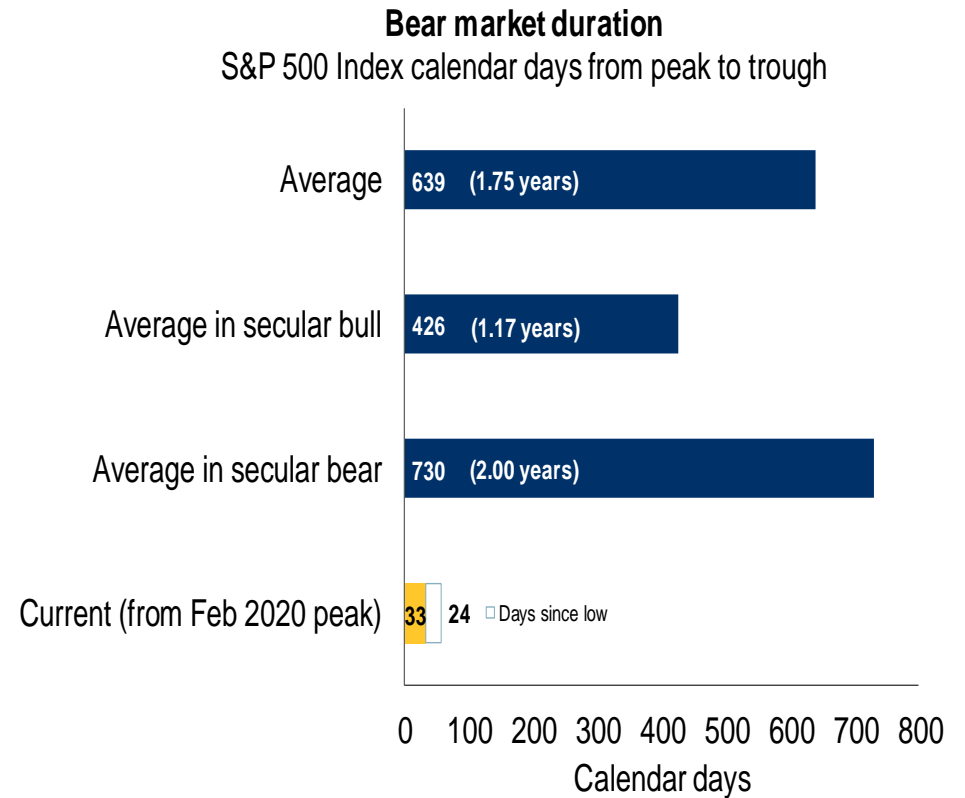
Strong Positive	Improvement	Improvement	Improvement
Strong Positive	Flat	Improvement	Improvement
Slightly Positive	Deterioration	Improvement	Improvement
Slightly Positive	Improvement	Improvement	Improvement
Strong Negative	Deterioration	Deterioration	Deterioration
Strong Negative	Deterioration	Deterioration	Deterioration
Strong Negative	Deterioration	Deterioration	Deterioration
Strong Negative	Deterioration	Deterioration	Deterioration
Strong Negative	Deterioration	Deterioration	Deterioration
Strong Negative	Deterioration	Deterioration	Deterioration
<b>OVERALL BAROMETER</b>	Strong Negative	Deterioration	Deterioration

# Equities: Bear Market Depth & Duration

If the Bottom Is In, this Would Be the Fastest/Shortest Bear By Far



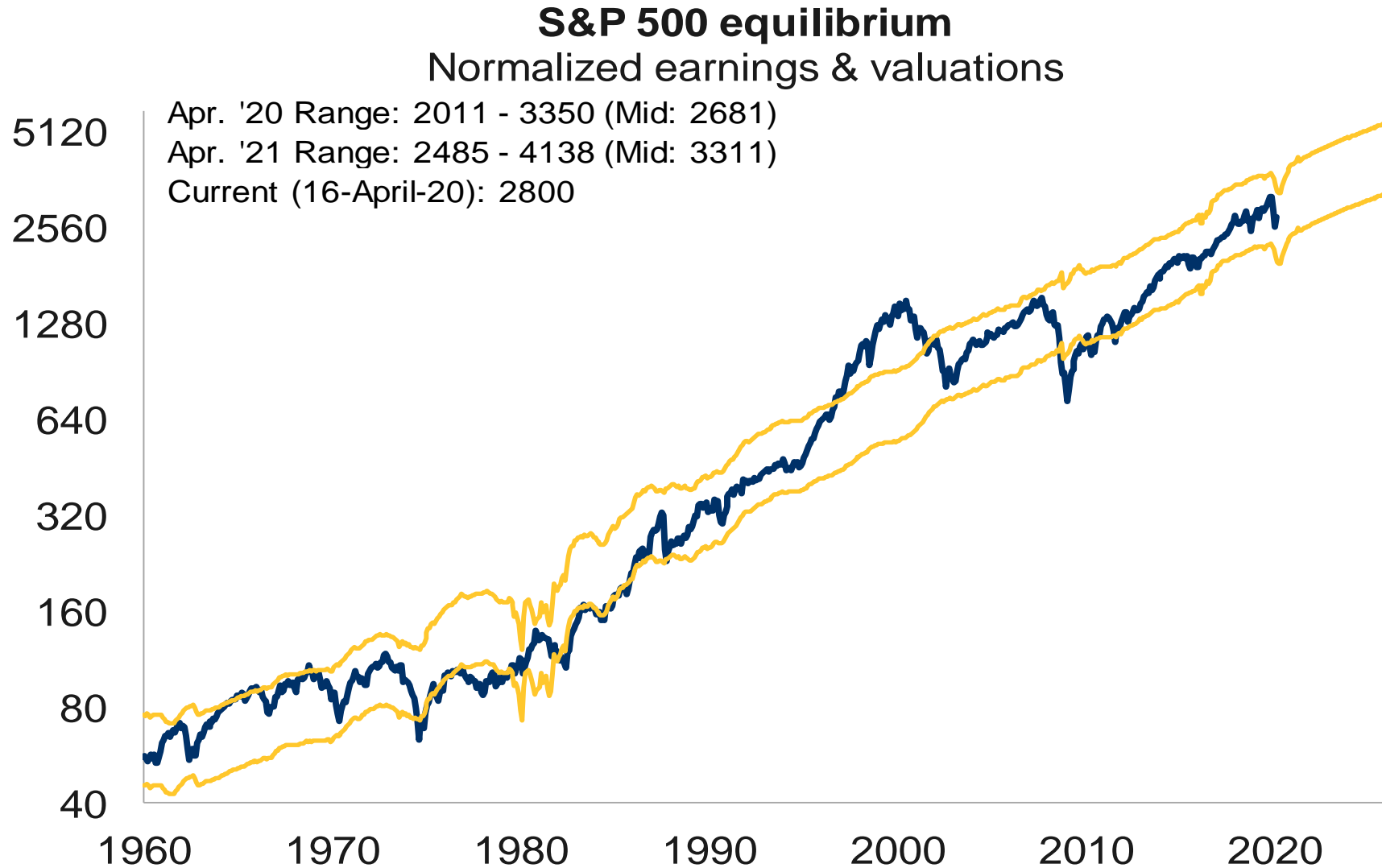
Note: As of April 16, 2020. Based on 24 bear markets of at least 20% decline since 1870.  
Source: RBC GAM



Note: As of April 16, 2020. Based on 24 bear markets of at least 20% decline since 1870.  
Source: RBC GAM

# S&P 500 Valuations: Back into Fair Value Range

Step 1: Record Stimulus. Step 2: Early Evidence Trend EPS Can Be Resumed



Source: RBC GAM

# Could The Bottom Be In?

## Key Sign-posts Suggests We May Be Past the Worst

Criteria	Achieved?
Significant disease containment efforts	Yes
Major government stimulus	Yes. More may be necessary.
Decline in Italian new cases/day	Yes
Decline in U.S. new cases/day	Yes. But testing is an issue.
Decline in global new fatalities/day	No. Slowing rate & down in some key regions
Therapeutic to off-set ventilator needs	Some glimmers of hope
Decline in global number of actively sick	No
Quarantining ends	Starting. Phased re-opening has begun
Return to economic & EPS growth	Markets catch a glimpse across the valley.
Development of vaccine	No. Possibly late 2020 to mid-2021

Source: RBC GAM

# What About Putting Everything Into Cash?



*"Forgive the mess. Warren just put everything into cash."*

Lee Lorenz / The New Yorker Collection / The Cartoon Bank

# Summary

## Equities Suffered Setback. Tradex Track Record & Value Remain Strong

- Markets snapped back on attractive valuations, and looking across the valley
- Tradex Equity offers a unique combination of Canadian and global industry leaders
- Tradex Equity continues to enjoy solid outperformance versus benchmark and peers
- Active stock picking across full global opportunity set still key to outperformance
- Focus in stocks with strong fundamental momentum & sustainable competitive advantages
- Outlook – Not out of the woods yet on COVID-19 risks but worst is likely behind us

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**Thank you**

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