RBC Global Asset Management

The Global Investment Outlook

RBC GAM Investment Strategy Committee



SPRING 2026

The RBC GAM Investment Strategy Committee



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The RBC GAM Investment Strategy Committee consists of senior investment professionals drawn from all areas of RBC Global Asset Management. The Committee regularly receives economic and capital markets related input from internal and external sources. Important guidance is provided by the Committee's regional equity advisors (North America, Europe, Asia, Emerging Markets) and from the Global Fixed Income & Currencies sub-committee. From this, the Committee builds a detailed global investment forecast looking one year forward.

The Committee's view includes an assessment of global fiscal and monetary conditions, projected economic growth and inflation, as well as the expected course of interest rates, major currencies, corporate profits and stock prices.

From this global forecast, the RBC GAM Investment Strategy Committee develops specific guidelines that can be used to manage portfolios.

These include:



The recommended mix of cash, fixed income instruments, and equities.



The recommended global exposure of fixed income and equity portfolios.



The optimal term structure for fixed income investments.



The suggested sector and geographic make-up within equity portfolios.



The preferred exposure to major currencies.

Results of the Committee's deliberations are published quarterly in *The Global Investment Outlook*.

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Executive summary



Eric Savoie, MBA, CFA, CMT
Senior Investment Strategist
RBC Global Asset Management Inc.

The war in Iran has injected significant uncertainty into the outlook and widened the range of potential outcomes for the economy and financial markets. While risks have intensified, our base case scenario still sees the economy continuing to grow amid a variety of existing tailwinds, allowing stocks to outperform bonds, particularly in non-U.S. regions where valuations are relatively appealing.

Economic backdrop solid amid the arrival of new risks

New macroeconomic concerns relating to the war in Iran and the downside risks emanating from artificial intelligence (AI) are unlikely to be killer blows: oil prices should drop back in the coming months, and there are positive AI scenarios to weigh against the negative ones. Economic momentum has been good, and the outlook remains reasonably constructive given tailwinds including support from last year's interest-rate cuts, fiscal support, and AI capital expenditures and productivity gains. The business cycle could persist for another few years. In turn, our economic-growth forecasts for 2026 are mostly above consensus.

Progress on inflation delayed by surge in energy costs

Inflation had been settling down in recent months, reflecting factors including ebbing tariff pressures, easing shelter costs, AI-related deflation and falling oil prices. However, the recent surge in energy costs should cause headline inflation to leap by between 0.5 and 1.5 percentage point. This temporary phenomenon should unwind as energy resumes flowing normally through the Strait of Hormuz, the key petroleum chokepoint in the Middle East.

Cyclical and structural factors argue for another leg down in the U.S. dollar

Over the past year, the U.S. dollar has fallen by roughly 10% on a trade-weighted basis with declines against both emerging- and developed-market currencies. While Iran-related risk aversion has temporarily put a pause to the trend, we think these moves represent the first phase of the dollar's descent. History suggests that another leg of U.S.-dollar weakness is coming, and that another 10% decline over the next few years is needed to drop the overvalued greenback to levels more in line with its purchasing power. Supporting this view are cyclical and structural factors including a reduced U.S. yield advantage, greater global competition for capital, geopolitical tensions and the threat of coordinated currency intervention.

Fed expected to resume rate cutting in the second half of 2026

The U.S. Federal Reserve (Fed) is on pause again for now as the two pieces of its dual mandate – ensuring maximum employment and price stability – are moving in opposite directions. Slowing job gains suggest more rate cuts, while inflation above target, due in part to the war-linked rise in energy prices, undermines the case for further easing. Accordingly, the Fed under new Chair Kevin Warsh will likely wait until later this year to resume rate cuts. The futures market supports this view and is pricing in 25 to 50 basis points in Fed cuts over the year ahead, roughly in line with our forecast for 50 basis points of cuts.

Limited return potential in sovereign and corporate bonds

Yields climbed toward the upper end of a 3.94%- to-4.30% range in early March as investors worried that the war in Iran could accelerate inflation. At current levels, yields are above our modelled estimates of equilibrium and indicate only modest valuation risk. We expect yields to move sideways to slightly up over the year ahead, as the energy-price shock and ballooning government deficits counterbalance the modelled assumptions for declining inflation and lower real (after-inflation) yields. In this environment, we forecast low-single digit returns.

The reward for taking on the added risk of corporate bonds vis-à-vis government bonds has rarely been smaller. As a result, investors are accepting below-normal risk-adjusted returns given possible corporate defaults. Tight spreads can persist for some time, though, since corporate balance sheets are healthy, default risk is low, and the all-in yield for high-yield bonds remains appealing versus the ultra-low levels experienced during the pandemic.

Better relative value exists outside of U.S. mega-cap stocks amid strong earnings outlook

Strong equity-market gains backed by robust economic growth and a surge in AI-related spending have pushed our global composite of stock valuations to its highest level since early 2022. U.S. large caps remain the most richly valued, and other markets, especially Europe and emerging markets, offer better return prospects.

High valuations can be supported if corporate profits are rising fast enough to justify the premium multiples being paid by investors. Importantly, these estimates have been frequently raised over the past year as profits consistently exceeded expectations and profit-margin expansion continued. Strong earnings growth is expected almost everywhere over the next two years, but indexes outside the U.S. large-cap space may offer access to that earnings growth at a cheaper price. On a regional basis, investors have shifted their preference away from U.S. large-cap stocks to other regions, but it remains to be seen whether the leadership in non-U.S. stocks can be sustained.

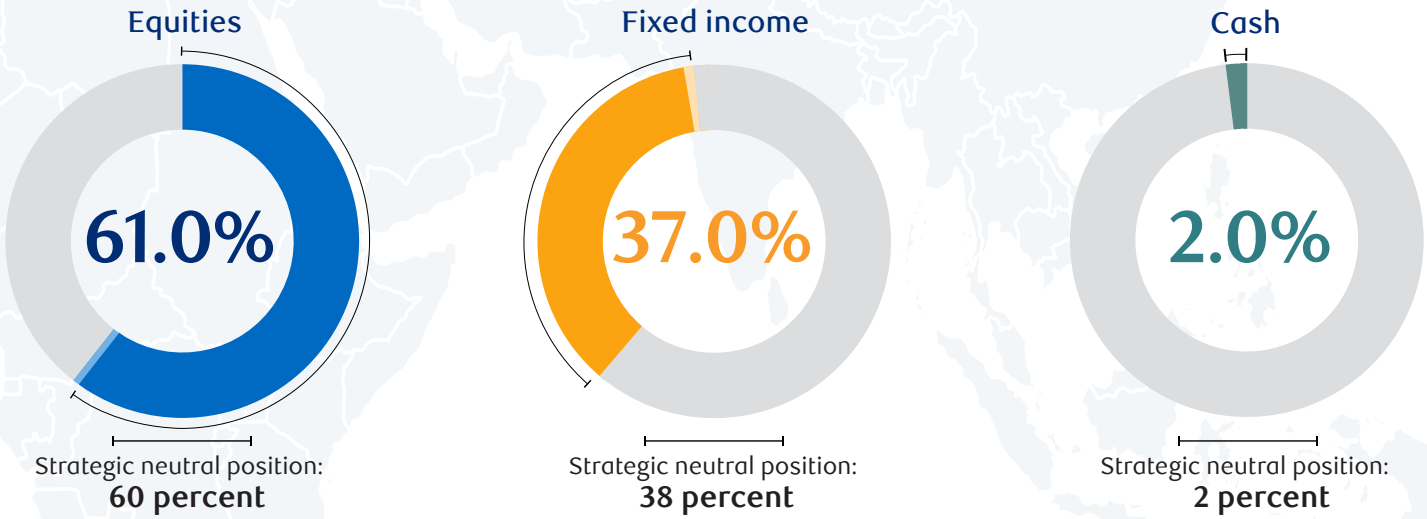
Within markets, AI has virtually taken over as the determiner of stock-market returns as investors piled into companies that have benefited from the immense capital spending and shunned ones deemed vulnerable to AI disruption.

Asset mix – maintaining slight overweight in equities and expanding tilt to non-U.S. regions

Due to a variety of risks related to geopolitics, AI disruption and elevated government debts, combined with the fact that equity valuations are elevated in some regions, we believe only modest risk taking is appropriate. Historically prescient indicators of the current yield-to-maturity for sovereign-bond returns and Shiller's cyclically adjusted P/E for equity returns suggest no advantage to overweighting stocks in the current environment. As a result, we have left our top-level asset allocation unchanged from the prior quarter, with only a small overweight position in stocks versus bonds.

We did, however, make a change to our regional equity positions. Assuming continued economic growth and a near-term de-escalation to the Iran war, we expect non-U.S. equities to outperform. Accordingly, this quarter we increased our overweight exposure in Canada, European, Japanese and emerging-market equities, and expanded our underweight position in U.S. equities. For a balanced global investor, our current recommended asset mix is 61.0% equities (strategic: "neutral": 60.0%), 37.0% bonds (strategic "neutral": 38.0%) and 2.0% cash.

Recommended asset mix
RBC GAM Investment Strategy Committee



Note: As of March 2026. Source: RBC GAM

Economic & capital markets forecasts

Economic forecast (RBC GAM Investment Strategy Committee)

	United States		Canada		Europe		United Kingdom		Japan		China		Emerging markets*	
	Spring 2026	Change from New Year 2026	Spring 2026	Change from New Year 2026	Spring 2026	Change from New Year 2026	Spring 2026	Change from New Year 2026	Spring 2026	Change from New Year 2026	Spring 2026	Change from New Year 2026	Spring 2026	Change from New Year 2026
Real GDP														
2025A[1]	2.23%		0.72%		1.33%		0.97%		0.16%		4.58%		4.49%	
2026E	2.50%	0.20	1.40%	(0.20)	1.80%	0.20	1.50%	0.40	1.20%	0.30	4.70%	0.10	4.60%	0.20
2027E	2.20%	N/C	1.70%	N/C	1.70%	N/C	1.60%	N/C	1.20%	N/C	4.50%	0.20	4.50%	N/C
CPI														
2025A	2.77%		2.25%		2.07%		3.38%		2.67%		3.95%		1.46%	
2026E	2.60%	0.10	2.20%	N/C	1.80%	(0.20)	2.30%	(0.40)	1.90%	(0.20)	0.90%	(0.30)	2.70%	0.20
2027E	2.30%	N/C	2.10%	N/C	1.90%	N/C	2.40%	N/C	1.80%	N/C	1.30%	N/C	2.50%	N/C

A = Actual E = Estimate *GDP Weighted Average of China, India, Brazil, Mexico and Russia. [1]2025 GDP for India, Brazil and Russia are not yet available so listed GDP for Emerging Markets represent the most recent consensus estimates for 2025. Note: As of the Spring 2026 edition of the Global Investment Outlook, GDP and CPI forecasts are shown on a Q4 over Q4 basis compared to the old methodology of annual average over annual average.

Targets (RBC GAM Investment Strategy Committee

	February 2026	Forecast February 2027	Change from New Year 2026	1-year total return estimate* (%)
Currency markets against USD				
CAD (USD–CAD)	1.36	1.30	(0.02)	3.8
EUR (EUR–USD)	1.18	1.26	0.02	5.1
JPY (USD–JPY)	156.05	140.00	5.00	8.6
GBP (GBP–USD)	1.35	1.40	0.02	3.8
Fixed income markets				
U.S. Fed Funds Rate (upper bound)	3.75	3.25	N/C	
U.S. 10-Year Bond	3.94	4.50	0.25	(0.5)
Canada Overnight Rate	2.25	2.25	N/C	
Canada 10-Year Bond	3.13	3.50	0.25	0.0
Eurozone Deposit Facility Rate	2.00	2.00	N/C	
Germany 10-Year Bund	2.64	3.00	N/C	(0.4)
U.K. Base Rate	3.75	3.25	(0.25)	
U.K. 10-Year Gilt	4.23	4.50	N/C	2.1
Japan Overnight Call Rate	0.73	1.50	0.50	
Japan 10-Year Bond	2.12	2.00	0.20	3.2
Equity markets				
S&P 500	6879	7150	50	5.2
S&P/TSX Composite	34340	35850	3400	6.8
MSCI Europe	212	226	26	9.8
FTSE 100	3118	3310	N/A	9.2
Nikkei	2409	2600	N/A	9.5
MSCI Emerging Markets	1611	1750	260	10.8

*Total returns are expressed in local currencies with the exception of MSCI Emerging Markets whose return is expressed in USD. Source: RBC GAM

Recommended asset mix

Asset mix – the allocation within portfolios to stocks, bonds and cash – should include both strategic and tactical elements. Strategic asset mix addresses the blend of the major asset classes offering the risk/return tradeoff best suited to an investor's profile. It can be considered to be the benchmark investment plan that anchors a portfolio through many business and investment cycles, independent of a near-term view of the prospects for the economy and related expectations for capital markets. Tactical asset allocation refers to fine tuning around the strategic setting in an effort to add value by taking advantage of shorter-term fluctuations in markets.

Every individual has differing return expectations and tolerances for volatility, so there is no "one size fits all" strategic asset mix. Based on a 40-year study of historical returns[1] and the volatility[2] of returns (the range around the average return within which shorter-term results tend to fall), we have developed five broad profiles and assigned a benchmark strategic asset mix for each. These profiles range from very conservative through balanced to aggressive growth. It goes without saying that as investors accept increasing levels of volatility, and therefore greater risk that the actual experience will depart from the longer-term norm, the potential for returns rises. The five profiles presented below may assist investors in selecting a strategic asset mix best aligned to their investment goals.

Each quarter, the RBC GAM Investment Strategy Committee publishes a recommended asset mix based on our current view of the economy and return expectations for the major asset classes. These weights are further divided into recommended exposures to the variety of global fixed income and equity markets. Our recommendation is targeted at the Balanced profile where the benchmark (strategic neutral) setting is 60% equities, 38% fixed income, and 2% cash.

A tactical range of +/- 15% around the benchmark position allows us to raise or lower exposure to specific asset classes with a goal of tilting portfolios toward those markets that offer comparatively attractive near-term prospects.

This tactical recommendation for the Balanced profile can serve as a guide for movement within the ranges allowed for all other profiles.

The value-added of tactical strategies is, of course, dependent on the degree to which the expected scenario unfolds.

Regular reviews of portfolio weights are essential to the ultimate success of an investment plan as they ensure current exposures are aligned with levels of long-term returns and risk tolerances best suited to individual investors.

Anchoring portfolios with a suitable strategic asset mix, and placing boundaries defining the allowed range for tactical positioning, imposes discipline that can limit damage caused by swings in emotion that inevitably accompany both bull and bear markets.

[1]**Average return**: The average total return produced by the asset class over the period 1986 – 2026, based on monthly results.
[2]**Volatility**: The standard deviation of returns. Standard deviation is a statistical measure that indicates the range around the average return within which 2/3 of results will fall into, assuming a normal distribution around the long-term average.

Global asset mix

	Benchmark policy	Allowable range	Spring 2025	Summer 2025	Fall 2025	New Year 2026	**Spring 2026**
Cash	2.0%	0.0% – 15.0%	2.0%	1.0%	1.0%	2.0%	**2.0%**
Bonds	38.0%	23.0% – 53.0%	38.0%	38.0%	37.0%	37.0%	**37.0%**
Stocks	60.0%	45.0% – 75.0%	60.0%	61.0%	62.0%	61.0%	**61.0%**

Note: Effective June 1, 2020, we reset our strategic neutral positions to reflect long–lasting changes in economy and capital markets' dynamics. Boosting strategic neutral equity exposure by 5% and reducing fixed income by same amount in our reference balanced portfolio.

Regional and sub-asset class allocation

Global bonds	**Canada Universe* February 2026**	Allowable range	Spring 2025	Summer 2025	Fall 2025	New Year 2026	**Spring 2026**
Canadian Government	75.2%	20.0% – 100.0%	n/a	n/a	n/a	65.0%	**60.2%**
Global Sovereign	0.0%	0.0% – 20.0%	n/a	n/a	n/a	0.0%	**5.0%**
Cdn Investment Grade Corp.	24.8%	20.0% – 50.0%	n/a	n/a	n/a	35.0%	**34.8%**
U.S. High Yield Corporate	0.0%	0.0% – 10.0%	n/a	n/a	n/a	0.0%	**0.0%**

Note: Based on expected $CAD hedged total returns. Global bond allocation changed from a regional allocation between North America, Europe and Asia to its current model in October 2025 to align more closely with the portfolios we manage and the needs of Global Investment Outlook consumers

Global equities	**MSCI** February 2026**	Allowable range	Spring 2025	Summer 2025	Fall 2025	New Year 2026	**Spring 2026**
North America	71.6%	61.6% – 81.6%	72.7%	70.3%	71.6%	72.8%	**70.5%**
Europe	13.5%	3.5% – 23.5%	12.4%	14.4%	13.4%	12.5%	**13.9%**
Asia	6.6%	0.0% – 16.6%	6.3%	6.8%	6.5%	6.3%	**7.0%**
Emerging markets	8.3%	0.0% – 18.3%	8.6%	8.6%	8.5%	8.4%	**8.6%**

Our asset mix is reported as at the end of each quarter. The mix is fluid and may be adjusted within each quarter, although we do not always report on shifts as they occur. The weights in the table should be considered a snapshot of our asset mix at the date of release of the *Global Investment Outlook*.

Global equity sector allocation

	MSCI February 2026**	RBC GAM ISC New Year 2026	**RBC GAM ISC Spring 2026**	Change from New Year 2026	Weight vs. benchmark
Energy	3.79%	2.83%	4.29%	1.46	113.2%
Materials	3.51%	1.58%	4.01%	2.42	114.3%
Industrials	11.97%	11.96%	12.47%	0.50	104.2%
Consumer discretionary	9.50%	10.25%	9.00%	(1.25)	94.7%
Consumer staples	5.72%	3.24%	5.72%	2.48	100.0%
Health care	9.77%	10.21%	9.77%	(0.45)	100.0%
Financials	16.92%	16.19%	16.92%	0.73	100.0%
Information technology	25.76%	30.08%	24.76%	(5.33)	96.1%
Communication services	8.60%	10.00%	8.60%	(1.40)	100.0%
Utilities	2.63%	3.40%	3.13%	(0.27)	119.0%
Real estate	1.85%	0.23%	1.35%	1.12	72.9%

*FTSE Canada Universe Bond Index. **MSCI World Index. Source: RBC GAM Investment Strategy Committee.

At RBC GAM, we have a team dedicated to setting and reviewing the strategic asset mix for all of our multi-asset solutions. With an emphasis on consistency of returns, risk management and capital preservation, we have developed a strategic asset allocation framework for five client risk profiles that correspond to broad investor objectives and risk preferences. These five profiles range from Very Conservative through Balanced to Aggressive Growth.

Very Conservative

Asset class	Bench-mark	Range	Last quarter	Current recommendation
Cash & Cash Equivalents	2%	0-15%	2.0%	2.0%
Fixed Income	73%	68-88%	72.0%	72.0%
Total Cash & Fixed Income	75%	60-90%	74.0%	74.0%
Canadian Equities	10%	0-20%	10.5%	10.8%
U.S. Equities	8%	0-18%	8.0%	7.0%
International Equities	7%	0-17%	7.5%	8.2%
Emerging Markets	0%	0%	0.0%	0.0%
Total Equities	25%	10-40%	26.0%	26.0%

	Return	Volatility
40-year average	6.9%	4.7%
Last 12 months	8.3%	3.9%

Very Conservative investors will seek income with maximum capital preservation and the potential for modest capital growth, and be comfortable with small fluctuations in the value of their investments. This portfolio will invest primarily in fixed-income securities, and a small amount of equities, to generate income while providing some protection against inflation. Investors who fit this profile generally plan to hold their investment for the medium to long term.

Conservative

Asset class	Bench-mark	Range	Last quarter	Current recommendation
Cash & Cash Equivalents	2%	0-15%	2.0%	2.0%
Fixed Income	58%	43-83%	57.0%	57.0%
Total Cash & Fixed Income	60%	45-75%	59.0%	59.0%
Canadian Equities	13%	3-23%	13.5%	13.7%
U.S. Equities	15%	5-25%	15.0%	14.0%
International Equities	12%	2-22%	12.5%	13.3%
Emerging Markets	0%	0%	0.0%	0.0%
Total Equities	40%	25-55%	41.0%	41.0%

	Return	Volatility
40-year average	7.5%	6.0%
Last 12 months	11.3%	4.7%

Conservative investors will pursue modest income and capital growth with reasonable capital preservation, and be comfortable with moderate fluctuations in the value of their investments. The portfolio will invest primarily in fixed-income securities, with some equities, to achieve more consistent performance and provide a reasonable amount of safety. The profile is suitable for investors who plan to hold their investment over the medium to long term.

Balanced

Asset class	Bench-mark	Range	Last quarter	Current recommendation
Cash & Cash Equivalents	2%	0-15%	2.0%	2.0%
Fixed Income	38%	23-53%	37.0%	37.0%
Total Cash & Fixed Income	40%	25-55%	39.0%	39.0%
Canadian Equities	15%	5-25%	15.4%	15.6%
U.S. Equities	25%	15-35%	25.0%	24.0%
International Equities	15%	5-25%	15.4%	16.0%
Emerging Markets	5%	0-15%	5.2%	5.4%
Total Equities	60%	45-75%	61.0%	61.0%

	Return	Volatility
40-year average	8.1%	7.6%
Last 12 months	15.5%	6.0%

The **Balanced** portfolio is appropriate for investors seeking balance between long-term capital growth and capital preservation, with a secondary focus on modest income, and who are comfortable with moderate fluctuations in the value of their investments. More than half the portfolio will usually be invested in a diversified mix of Canadian, U.S. and global equities. This profile is suitable for investors who plan to hold their investment for the medium to long term.

Growth

Asset class	Bench-mark	Range	Last quarter	Current recommendation
Cash & Cash Equivalents	2%	0-15%	2.0%	2.0%
Fixed Income	23%	8-38%	22.0%	22.0%
Total Cash & Fixed Income	25%	10-40%	24.0%	24.0%
Canadian Equities	18%	8-28%	18.4%	18.5%
U.S. Equities	30%	20-40%	30.0%	29.0%
International Equities	19%	9-29%	19.4%	20.1%
Emerging Markets	8%	0-18%	8.2%	8.4%
Total Equities	75%	60-90%	76.0%	76.0%

	Return	Volatility
40-year average	8.4%	9.4%
Last 12 months	19.3%	7.0%

Investors who fit the **Growth** profile will seek long-term growth over capital preservation and regular income, and be comfortable with considerable fluctuations in the value of their investments. This portfolio primarily holds a diversified mix of Canadian, U.S. and global equities and is suitable for investors who plan to invest for the long term.

Aggressive Growth

Asset class	Bench-mark	Range	Last quarter	Current recommendation
Cash & Cash Equivalents	2%	0-15%	1.0%	1.0%
Fixed Income	0%	0-15%	0.0%	0.0%
Total Cash & Fixed Income	2%	0-17%	1.0%	1.0%
Canadian Equities	29%	19-39%	29.4%	29.6%
U.S. Equities	38%	28-48%	38.0%	37.0%
International Equities	20%	10-30%	20.4%	21.0%
Emerging Markets	11%	1-21%	11.2%	11.4%
Total Equities	98%	83-100%	99.0%	99.0%

	Return	Volatility
40-year average	8.9%	11.9%
Last 12 months	25.6%	8.5%

Aggressive Growth investors seek maximum long-term growth over capital preservation and regular income, and are comfortable with significant fluctuations in the value of their investments. The portfolio is almost entirely invested in stocks and emphasizes exposure to global equities. This investment profile is suitable only for investors with a high risk tolerance and who plan to hold their investments for the long term.



Capital markets performance



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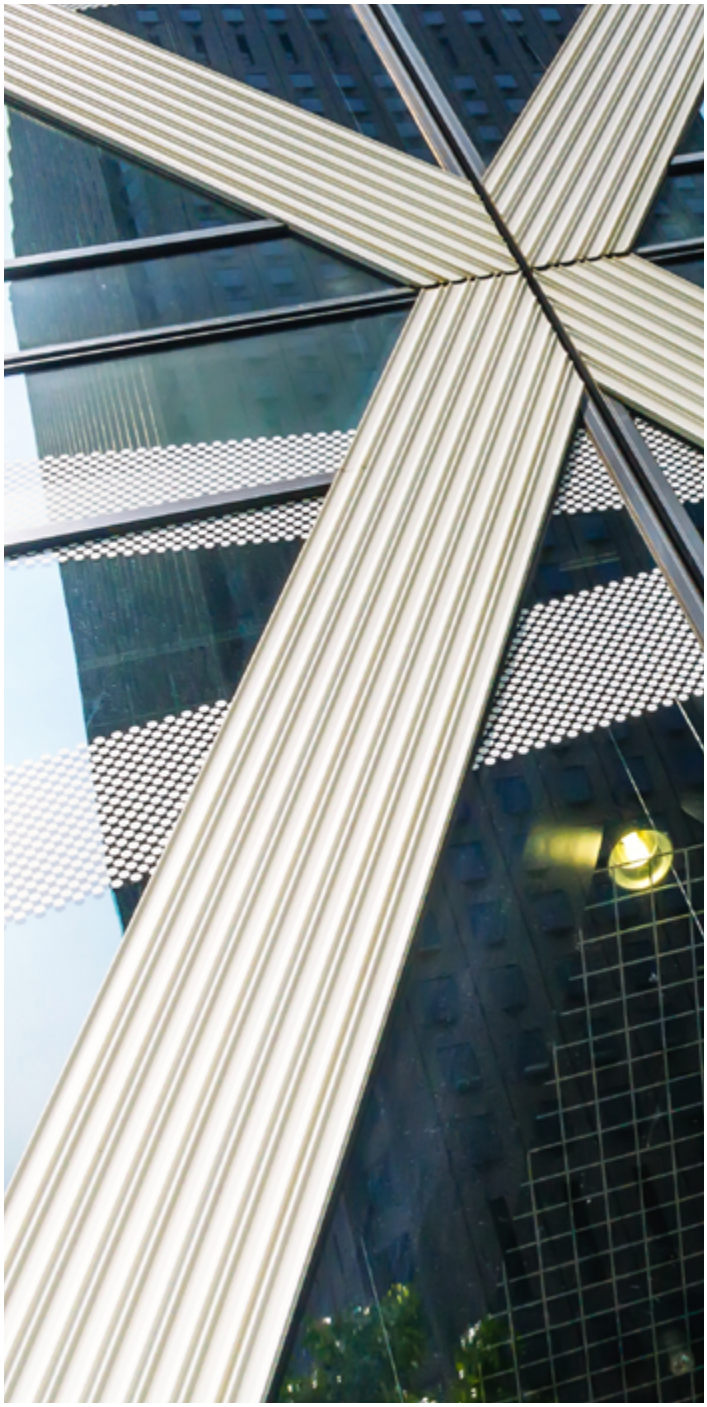
The U.S. dollar declined against most major developed-market currencies over the three months ended February 28, 2026. The greenback was down 2.4% against the Canadian dollar, 1.8% against the euro and 1.7% against the British pound, and essentially flat versus the Japanese yen. There are at least several explanations for the broad decline in the U.S. dollar. First, the yield advantage the U.S. dollar enjoyed has narrowed on expectations that the U.S. Federal Reserve will cut interest rates while other major central banks are on hold or, in the case of the Bank of Japan (BOJ), raising them. Second, equity investors have been diversifying away from the U.S. as non-U.S. markets have shown relative strength early in the new year after lagging for more than a decade. Finally, the U.S. administration's apparent inclination for a weaker currency and signs of a willingness to intervene in currency markets make the greenback less attractive. The yen was hobbled by relatively low interest rates and lingering doubts about the BOJ's commitment to further policy-rate hikes. Over the one-year period, the U.S. dollar declined 12.2% against the euro, 6.7% against the pound and 5.7% against the Canadian dollar, but appreciated 3.7% versus the yen.

Global fixed-income returns were mixed in the latest quarter as bond yields fell at least slightly in major markets excluding Japan, where yields rose when it became evident that there was broad support for new Prime Minister Takaichi's increased deficit spending. The 3.5% return for the Bloomberg Pan-European Government Bond Index ranked first, while the FTSE Japanese Government Bond Index's 1.2% loss was the worst in U.S.-dollar terms. Bond yields rose earlier in the quarter as investors focused on the sustainability of government-debt levels and an accelerating economy aided by fiscal support. However, yields fell later in the period on concern about the potentially negative impact of artificial-intelligence (AI)-related job losses. The U.S. 10-year yield rose as high as 4.29% before falling back to 3.94% at the end of February. Over the 12-month period, Bloomberg's European government-bond index performed the best, up 15.9%, due mostly to euro appreciation, compared with a 9.9% decline for the FTSE Japanese Government Bond Index, all in U.S.-dollar terms.

Global equity markets delivered solid gains over the three-month period before the U.S.-Israel strikes on Iran. Most major markets advanced to new highs with significant outperformance from non-U.S. regions due to strong economic momentum, a rosy corporate-earnings outlook and AI disruption fears that dinged some of the largest names in the U.S. stock market. International markets like the MSCI Pacific Index, MSCI Emerging Markets Index, MSCI Japan Index and MSCI UK Index all experienced double-digit gains ranging from 14.7% for the MSCI UK to 20.0% for the

MSCI Pacific, in U.S.-dollar terms. By comparison, the S&P 500 Index was relatively flat with a return of 0.7%. Equities provided extraordinary returns over the one-year period, ranging from a 17.0% gain for the S&P 500 to a 50.0% gain for the MSCI Pacific. Most index returns ranged between 30% and 50% after the impact of the falling U.S. dollar.

A powerful rotation occurred in equity markets during the latest quarter, reflected in shifts to non-U.S. stocks from U.S. stocks; to smaller-cap stocks from larger caps; and to value stocks from growth stocks. Investors began to contemplate the implications of rapid AI advancement and the demanding valuations of some of the largest U.S. technology stocks in an improving global economic backdrop. As a result, smaller-cap U.S. stocks outperformed, with the S&P MidCap 400 Index's 8.4% gain and the S&P SmallCap 600 Index's 7.8% gain beating the S&P 500 by 7.7 and 7.1 percentage points, respectively. The Russell 3000 Value Index outperformed the Russell 3000 Growth Index by 13.2 percentage points. Materials and Energy led all equity sectors with gains exceeding 20% due to strong commodity prices, the escalation of geopolitical tension and AI's insatiable demand for energy. Information Technology was the worst performer, down 4.8%. Over a 12-month time frame, Materials was the best performing sector with a 43.0% return, while the Consumer Discretionary sector ranked last with a gain of 7.5%.



Exchange rates
Periods ending February 28, 2026

	Current USD	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)
USD–CAD	1.3641	(2.37)	(0.62)	(5.72)	(0.01)	1.40
USD–EUR	0.8463	(1.83)	(0.54)	(12.21)	(3.63)	0.42
USD–GBP	0.7420	(1.72)	0.02	(6.66)	(3.72)	0.67
USD–JPY	156.1650	0.02	(0.30)	3.74	4.68	7.94

Note: all changes above are expressed in US dollar terms

Canada fixed income markets
Periods ending February 28, 2026

	USD					CAD		
Fixed income markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
FTSE Canada Univ. Bond Index TR	3.39	2.88	8.80	4.93	(0.56)	0.94	2.58	4.92

U.S. fixed income markets
Periods ending February 28, 2026

	USD					CAD		
Fixed income markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
FTSE U.S. Government TR	1.62	1.80	6.31	5.14	0.42	1.62	6.31	5.14
BBg U.S. Agg. Bond Index TR[1]	1.60	1.75	6.26	5.12	0.42	1.60	6.26	5.12

Global fixed income markets
Periods ending February 28, 2026

	USD					CAD		
Fixed income markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
FTSE WGBI TR	2.33	2.20	7.89	4.03	(2.38)	0.11	2.15	4.09
Bloomberg Pan-European Govt TR	3.50	2.65	15.88	7.66	(2.77)	1.25	9.71	7.73
FTSE Japanese Government TR	(1.19)	0.69	(9.91)	(8.71)	(10.81)	(3.53)	(15.06)	(8.72)

Canada equity markets
Periods ending February 28, 2026

	USD					CAD		
Equity markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
S&P/TSX Composite	12,73	9,30	47,20	22,90	15,48	10,06	38,79	22,89
S&P/TSX 60	10,36	7,06	40,35	21,21	14,89	7,75	32,33	21,20
S&P/TSX Small Cap	28,31	23,13	98,13	29,69	16,19	25,27	86,80	29,67

U.S. equity markets
Periods ending February 28, 2026

	USD					CAD		
Equity markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
S&P 500 TR	0.74	0.68	16.99	21.80	14.19	(1.65)	10.30	21.79
S&P 400 TR	8.42	8.34	17.24	12.94	9.10	5.85	10.54	12.93
S&P 600 TR	7.85	7.90	17.89	10.09	6.06	5.51	11.61	10.16
Russell 3000 Value TR	8.05	7.35	18.63	15.80	11.52	(0.03)	14.91	13.76
Russell 3000 Growth TR	(5.12)	(4.57)	14.79	25.32	13.56	5.49	11.85	15.79
NASDAQ Composite Index TR	(2.85)	(2.39)	21.04	26.45	12.26	(5.15)	14.12	26.43

Note: All rates of return presented for periods longer than 1 year are annualized. [1]Bloomberg U.S. Agg. Bond Index TR. Source: RBC GAM

Global equity markets
Periods ending February 28, 2026

	USD					CAD		
Equity markets: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
MSCI World TR *	3.82	2.99	21.33	20.58	12.46	1.57	14.87	20.65
MSCI EAFE TR *	13.39	10.09	34.63	18.77	10.78	10.93	27.47	18.84
MSCI Europe TR *	12.07	7.87	31.81	18.18	11.77	9.65	24.79	18.25
MSCI Pacific TR *	19.97	17.12	49.89	22.09	7.39	17.37	41.90	22.17
MSCI UK TR *	14.73	10.55	37.10	19.73	14.86	14.73	37.10	19.73
MSCI France TR *	8.22	6.38	23.82	12.22	9.84	5.88	17.23	12.28
MSCI Germany TR *	9.08	4.51	25.32	20.52	9.54	6.72	18.65	20.59
MSCI Japan TR *	16.37	15.75	43.95	22.54	9.65	13.85	36.28	22.61
MSCI Emerging Markets TR *	18.27	14.83	49.96	21.53	6.31	15.71	41.98	21.60

Global equity sectors
Periods ending February 28, 2026

	USD					CAD		
Sector: Total return	3 months (%)	YTD (%)	1 year (%)	3 years (%)	5 years (%)	3 months (%)	1 year (%)	3 years (%)
Energy TR *	22.47	22.69	32.12	14.23	20.26	19.82	25.08	14.30
Materials TR *	25.18	20.37	43.04	16.28	10.78	22.47	35.43	16.35
Industrials TR *	16.88	14.54	37.18	23.85	14.70	14.34	29.88	23.92
Consumer discretionary TR *	(2.19)	(3.11)	7.53	15.41	6.22	(4.31)	1.80	15.48
Consumer staples TR *	12.77	14.05	16.08	10.74	8.79	10.33	9.90	10.80
Health care TR *	3.19	4.02	11.01	9.56	7.63	0.96	5.10	9.63
Financials TR *	3.61	(0.98)	17.25	20.69	14.74	1.36	11.01	20.76
Information technology TR *	(4.79)	(4.65)	21.82	29.64	16.45	(6.85)	15.34	29.72
Communication services TR*	(0.76)	0.37	28.38	33.58	12.15	(2.91)	21.55	33.66
Utilities TR *	10.04	13.28	35.15	18.74	12.46	7.65	27.96	18.81
Real estate TR *	8.77	10.58	11.96	8.64	4.66	6.41	6.00	8.70

* Net of taxes. Note: all rates of return presented for periods longer than 1 year are annualized. Source: Bloomberg/MSCI



Economic outlook

Digesting new macro concerns



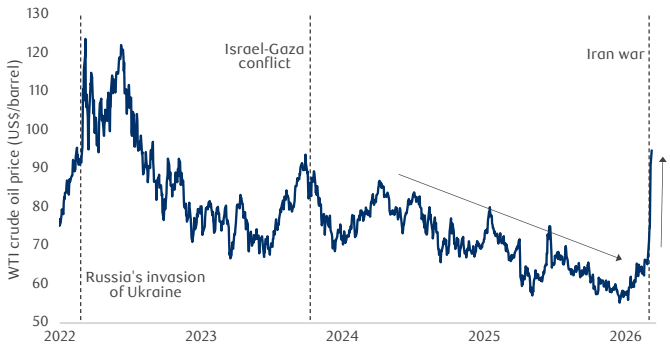
Eric Lascelles
Managing Director, Chief Economist &
Head of Investment Strategy Research
RBC Global Asset Management Inc.

Financial markets are suddenly grappling with two new macroeconomic concerns – high oil prices and risks related to artificial intelligence (AI).

Oil prices have soared in response to the war with Iran (Exhibit 1). It threatens to boost inflation and depress economic growth, though much depends on the extent to which the flow of energy is actually constrained and how long the conflict lasts.

Developments in the area of AI are potentially quite positive for the economy and financial markets in several regards, but investors have recently shifted their gaze toward more negative aspects, including the technology's potential to undermine business models in the software sector (Exhibit 2) and the possibility that AI might displace large numbers of workers.

Exhibit 1: Crude-oil prices soar on geopolitical tensions



Note: As of 03/09/2026. Source: Bloomberg, Macrobond, RBC GAM

Exhibit 2: New AI models create concern about disrupted sectors



Note: As of 03/10/2026. Index incorporates firms potentially impacted by the latest developments from AI labs such as Anthropic and OpenAI. Source: Morgan Stanley, Bloomberg, RBC GAM

For all of the new challenges these present, growth momentum is fairly good across a range of countries (Exhibit 3) and we see sufficient tailwinds to maintain a relatively constructive growth outlook over the next two years.

From an investment standpoint, a modest equity overweight embraces the prospect of further economic growth in the years ahead but respects the need for ballast at a time of higher-than-normal uncertainty. Our positioning also acknowledges that the equity-risk premium is smaller than usual right now. From a regional standpoint, the U.S. equity allocation has been reduced and shifted into other regions. Rich U.S. valuations, expectations that the dollar will weaken, and optimism about other markets explain this pivot.

A more dangerous world

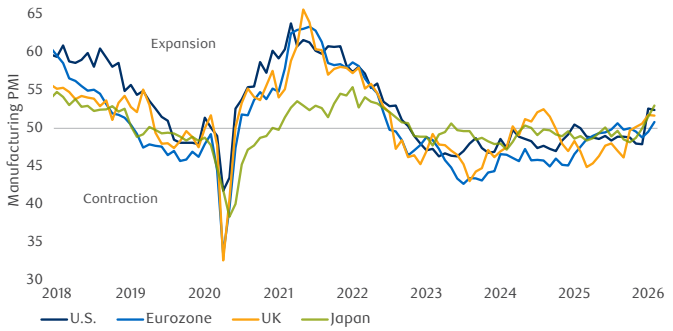
The global order is undergoing a number of remarkable changes. What was once a rule-based, hegemonic world is now very much a power-based, multipolar one. China now rivals the U.S. on the global stage – with the inevitable frictions that result – and the world's great powers are increasingly disregarding international norms and instead operating on the principle that might makes right.

In this kind of environment, not only does growth tend to be slightly weaker than otherwise and inflation slightly higher, but it is indisputably a more dangerous world. Geopolitical risks are now high, and military spending is not just rising but set to continue going up in the years ahead (Exhibit 4).

This "more dangerous world" theory is now proving correct in practice as well. In addition to the continuing war between Russia and Ukraine, the U.S. has in quick succession decapitated the Venezuelan government, fractured NATO in its pursuit of Greenland, and is now alongside Israel engaged in war with Iran.

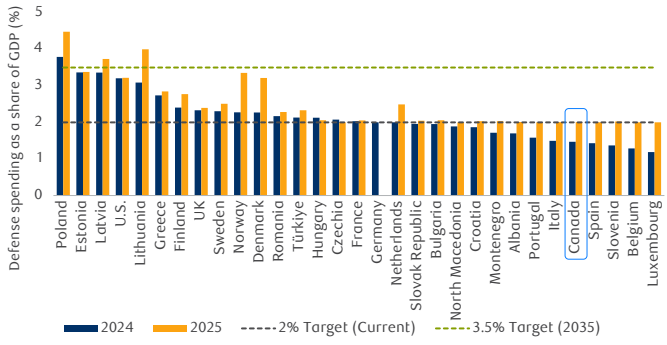
The Iranian conflict is happening on a much larger scale than the surgical strikes of June 2025, and the Iranian regime's response is similarly wide-ranging as it confronts an existential threat. The likelihood of regime change has increased given the intensity of the attacks and the eradication of Iran's leadership. But so too has the risk of a bad outcome: a politically chaotic result in which the country splinters as factions vie for power. All of that said, the most likely scenario remains a roughly status-quo outcome in which Iran's clerical leadership and/or its military protector, the Revolutionary Guard, remain in power (albeit with a reduced nuclear threat).

Exhibit 3: Manufacturing activity has improved in most developed countries



Note: As of Feb 2026. PMI refers to Purchasing Managers Index for manufacturing sector, a measure for economic activity. Source: Haver Analytics, RBC GAM

Exhibit 4: Rising defence spending



Note: As at 06/03/2025. 2024 and 2025 expenditure are estimates. 2025 data not available for Germany. Source: NATO, RBC GAM

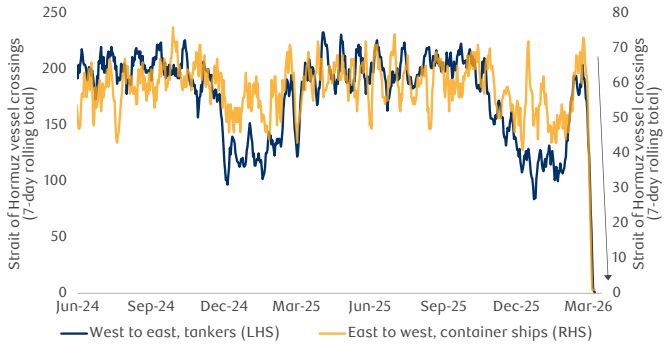
In the meantime, oil prices have surged, reflecting the prospect of reduced Iranian production and constrained shipping through the Strait of Hormuz for other Middle Eastern oil giants (Exhibit 5). The extent to which this is negative for global economic growth and inflation depends on how long the Strait remains functionally closed. Our base-case scenario assumes that the war is resolved within the next two to eight weeks – slightly ahead of market expectations. If this outcome is realized, oil prices should have room to retreat and the adverse growth and inflation effects should significantly reverse by mid-year. Consistent with this, our analysis of past acts of war dating back to World War II find that the market effects tend to be surprisingly small and short-lived.

Reverting to the bigger picture, the combination of new U.S. trade barriers and a more assertive foreign policy has contributed to a profound loss of trust in the country by the rest of the world (Exhibit 6). Attitudes are now more negative toward the U.S. than positive, and – amazingly – not much better than they are toward Russia. Meanwhile, China has delivered a charm offensive such that it is now viewed not just more positively than the U.S., but in an outright positive way. China has a real opportunity to consolidate further soft power around the world.

Reflecting these new souring attitudes toward the U.S. alongside the erosion that took place after the dollar was "weaponized" against Russia in 2022, foreign-reserve managers have substantially decreased their allocation to dollars, shifting a significant portion toward gold (Exhibit 7). The U.S. remains the world's reserve currency, but that status and its accompanying advantages are gradually eroding.

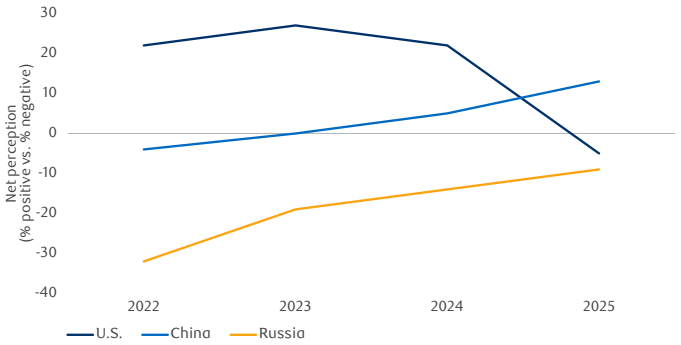
Tempting as it is to imagine that the global order might snap back to its prior norm in future U.S. election cycles, the reality is that much of what has changed should persist. This new multipolar world is not up for debate – China is now in many ways the equal of the U.S. Even if there were a concerted attempt to reconstruct the rule-based order, trust has been lost and is not quickly or easily recovered. Moreover, history shows that broad U.S. policy shifts are rarely reversed quickly, even when leadership changes from one party to another.

Exhibit 5: Ship crossings in Strait of Hormuz come to a halt



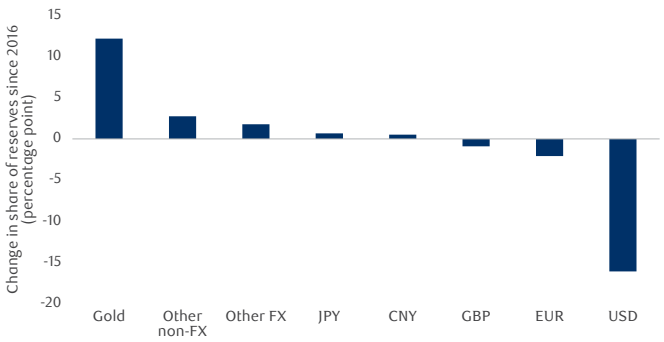
Note: As of 03/09/2026. Source: Bloomberg, RBC GAM

Exhibit 6: The U.S. is now viewed less favourably than China



Note: As of 2025. Source: Democracy Perceptions Index 2025, RBC GAM

Exhibit 7: Reserves diversifying away from USD, with gold the main beneficiary



Note: As of Q3 2025. Gold valued at market price. Source: IMF, Macrobond, RBC GAM

The rest of the world has snapped awake to its past reliance on the U.S. and will not soon make the same mistake again. To the extent that rising populism helps to explain some of the recent U.S. policy shift, it is notable that many other developed nations are now flirting with similar attitudes.

Artificial intelligence – promise or peril?

If it weren't for the Iran war, AI would be the dominant macroeconomic and market issue.

Up until recently, the focus had been on the great promise of AI, and it is still very important. Chipmakers are earning a great deal of money, and American technology giants are again set to deploy a large and growing sum into data-centre expansion in 2026 as they build out their models – a material support to near-term economic growth (Exhibit 8).

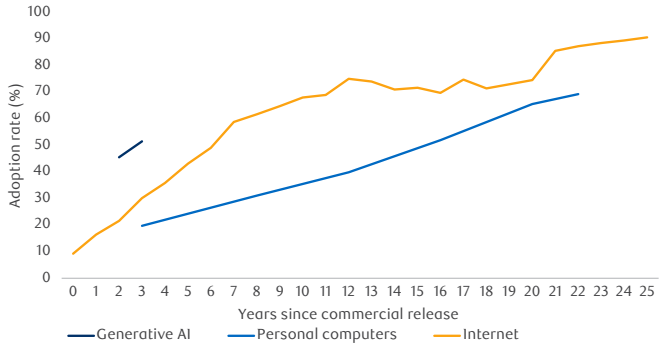
In theory, AI should also deliver substantial productivity gains, even if the scale is debated (Exhibit 9). That's a substantial helping hand, and one that we think is already starting to flatter the economic numbers. It is easy to lose sight of the fact that the main theoretical beneficiaries of AI are not the companies developing the models, but the many potential users as the technology diffuses across sectors and around the world.

For all of that promise, the negative side of this technological revolution is increasingly coming under scrutiny. These concerns include the concern that AI is disrupting the software sector, worries about worker displacement, and even fears that AI will induce a race to the bottom that in the final accounting impoverishes all parties.

Some business sectors are undeniably at particular risk of being disrupted. Valuations of software companies have fallen substantially on the view that new AI models are sufficiently proficient at coding that they can replace a large portion of what legacy software makers do, or at least reduce the size of their moat.

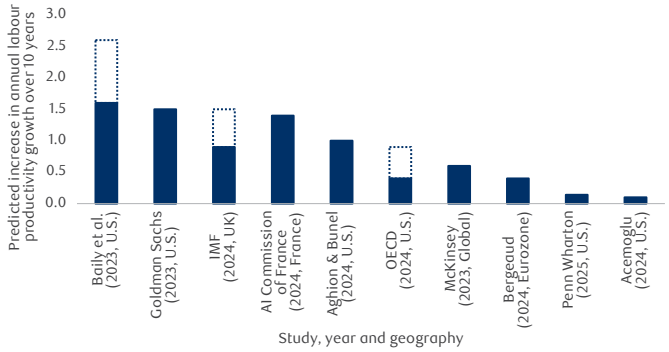
There is also tentative evidence that AI is indeed displacing some workers, particularly recent graduates in coding-related fields. But it is not unusual for new technologies to eliminate a subset of the workforce. The concern is if those workers are unable to find gainful employment elsewhere. So far, that doesn't appear to be a problem: U.S. initial jobless claims remain quite low (Exhibit 10) and the unemployment rate is normal.

Exhibit 8: Adoption of Generative AI is happening faster than other general-purpose technologies



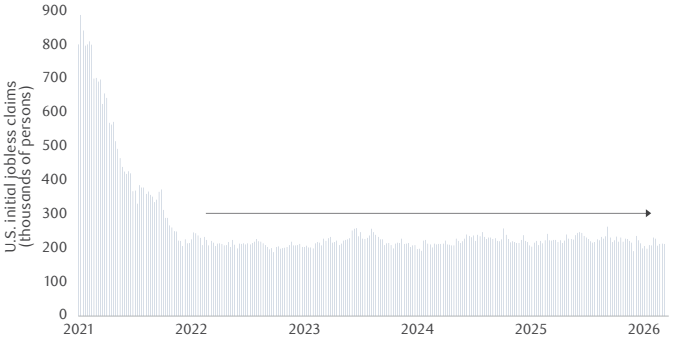
Note: As at 12/09/2025. Source: Generative AI Adoption Tracker (Bick et al.), RBC GAM

Exhibit 9: Estimates of potential productivity gains from AI vary widely



Note: As at 12/11/2025. Dotted bars indicate range of projections. Source: OECD, Brookings, Penn Wharton Budget Model, RBC GAM

Exhibit 10: U.S. initial jobless claims are low and steady



Note: As of the week ending 03/07/2026. Source: DOL, Macrobond, RBC GAM

The most intense fear about AI is that a worst-case dystopian scenario might play out where job displacement by AI metastasizes to the point of eliminating a large fraction of white-collar jobs. Consumer demand collapses as a result, and the economy circles the drain.

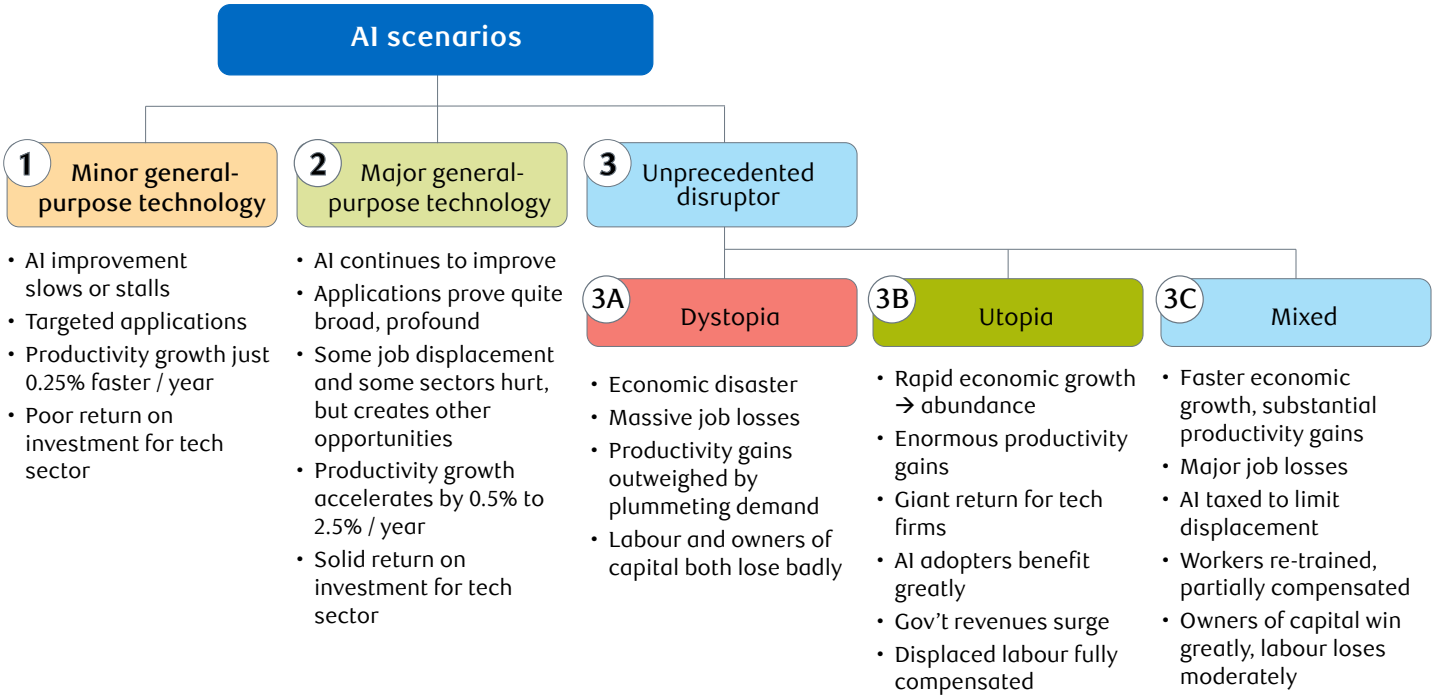
What to make of this dystopian picture? It is a possibility, but hardly the only way this could play out over the medium and long run (Exhibit 11).

We identify three main scenarios: AI proves to be a minor general-purpose technology, a major general-purpose technology or an unprecedented disruptor. A general-purpose technology is a technological innovation with broad applications across society and across businesses that enables a sustained period of faster productivity growth.

At the cautious end of the spectrum, perhaps AI models prove "merely" to be a minor general-purpose technology, akin to the laser or the lithium-ion battery. In this scenario, the rate of AI improvement slows significantly, or even hits a developmental dead end. AI ends up being what amounts to a better search engine, and while useful for targeted applications, is not revolutionary. Productivity growth picks up even in this conservative scenario, but perhaps by only 0.25 percentage point per year. The technology giants that spent massive sums end up with a poor return on their investment, and the world is not wildly different than it is today.

Alternatively, AI becomes a major general-purpose technology on par with past massive advancements such as the invention of electricity, the internal combustion engine or the computer. AI continues to improve and its applications are both broad and profound. There is notable job displacement and some sectors suffer, but the prosperity resulting from AI also creates new sectors and job opportunities. Productivity growth accelerates by a substantial 0.5 to 2.5 percentage points per year, meaning

Exhibit 11: Many AI scenarios



Note: As at 03/08/2026. Source: RBC GAM

that a golden age of growth awaits (as occurred in the 1990s through early the 2000s during the computer boom). The technology giants earn a solid return on their investment, AI adopters benefit substantially, and as with prior technological leaps, unemployment does not permanently increase. This is the most likely outcome, in our view.

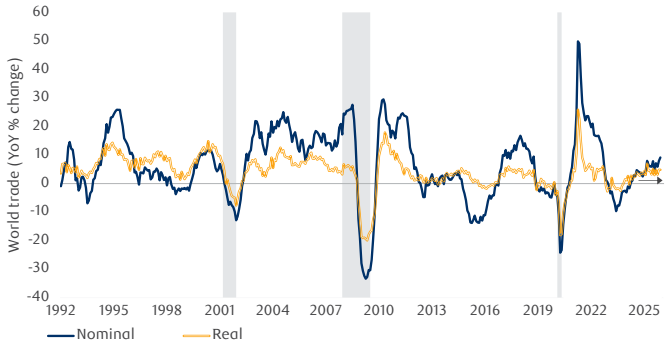
Finally, perhaps AI is instead an unprecedented disruptor, completely different from past innovations in the speed of its disruption, the scale of its impact, and the way that it eliminates the high-skill jobs that past technologies tended to create more of. That's a frightening thought.

To properly evaluate this scenario, we must break it into three sub-scenarios of its own. The dystopian version of this happens if every company realizes it can replace, say, 10% of its workforce with AI, and the resulting damage to consumer demand more than offsets the productivity gains associated with AI. This induces a recession that necessitates further layoffs, encourages further automation, and ultimately creates a vicious circle that ends with the economy in ruins and even AI makers and adopters impoverished.

But there are two other ways the "unprecedented disruptor" scenario could go. The utopian version is that the productivity gains from the unprecedented technological change are so remarkable that they create a world of abundance, with falling prices and plump government coffers more than capable of compensating the large numbers of displaced workers with a generous basic income.

Finally, and by far the most likely of the "unprecedented disruptor" sub-scenarios is a mixed outcome. If the world finds itself steering toward the dystopian sub-scenario, governments would seek to put a stop to it. A tax on AI would accomplish this. Such a levy would make using AI relatively more expensive, render human labour relatively less expensive, and generate tax revenue to retrain and at least partially compensate structurally displaced workers. It isn't a perfect outcome, but neither is it apocalyptic, and it would still permit fairly quick AI-driven productivity growth.

Exhibit 12: Global trade growth holding up



Note: As of December 2025. Shaded area represents U.S. recession.
Source: CPB Netherlands Bureau for Economic Policy Analysis, Macrobond, RBC GAM

To review, the most likely scenario is one in which AI materially accelerates the rate of productivity growth, without inducing a permanent increase in economy-level unemployment. But there is a chance it underwhelms, and a chance it blows expectations out of the water. A powerful AI effect could be quite negative for workers, but not necessarily if the proper policy remedies were applied.

Solid macro backdrop

For all of the fear about AI and concern about the war in Iran, the underlying macroeconomic backdrop is pretty decent. Global trade is still finding a way to expand as countries work to fuse new alliances that circumvent the U.S. (Exhibit 12).

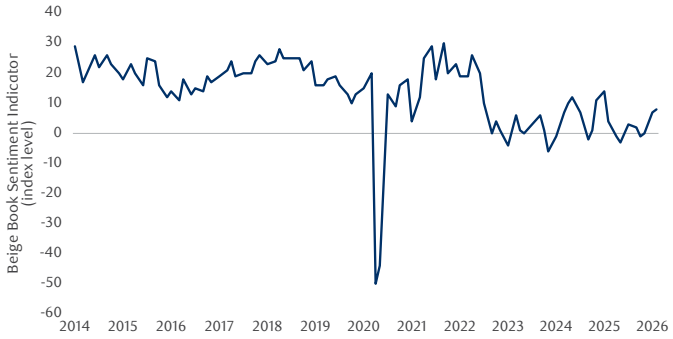


As noted earlier, leading indicators for manufacturing have been buoyant across the developed world in the early part of 2026, and the Beige Book – a proxy for U.S. business conditions – has also tilted higher in recent months (Exhibit 13). Similarly, the Citi U.S. Economic Data Change Index has improved despite underwhelming February payroll numbers (Exhibit 14).

While recent financial-market wobbles and freshly higher oil prices constitute new if potentially temporary headwinds, it is important not to forget the important tailwinds that still blow (Exhibit 15). Monetary policy has become substantially more stimulative over the past year; fiscal policy remains stimulative in many markets; wealth effects are favourable given the extent to which stocks have rallied over the past few years; and there is, of course, the growth-enhancing impact of AI.

In the U.S., GDP should manage a decent rebound in the first quarter of 2026 after the government shutdown-related impairment at the close of 2025. Approaching midterm elections could also elicit another round of fiscal support. Additionally, the U.S. tariff burden has incrementally declined after a key type of tariff was overturned by the Supreme Court, and the temporary replacement is slightly lighter (Exhibit 16). More generally, the bulk of the damage from last year's flurry of tariffs has been absorbed, meaning growth rates can start to revive even without their full removal.

Exhibit 13: Beige Book shows further improvement in economic conditions



Note: As of February 2026. The indicator quantifies the sentiment of local contacts by assigning different weights to a spectrum of positive and negative words used to describe overall economic conditions in the Fed Beige Book.
Source: U.S. Federal Reserve, RBC GAM

Exhibit 14: U.S. economic data back in positive territory



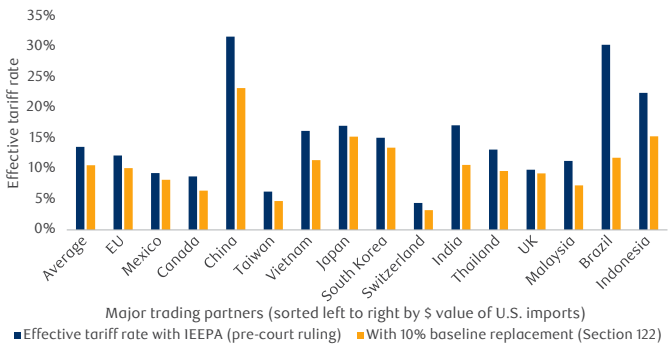
Note: As of 03/09/2026. Source: Citigroup, Bloomberg, RBC GAM

Exhibit 15: Growth tailwinds for 2026

	U.S.	Canada	Rest of developed world
Monetary policy	+	++	++
Fiscal policy	+	+	+
Stock market wealth effect	++	++	++
U.S. dollar	+	.	–
AI cap ex	+	.	.
AI productivity	+	+	+
Overall	++	+	++

Note: As of 03/06/2026. Source: RBC GAM

Exhibit 16: IEEPA ruling and 10% replacement lower U.S. effective tariff rate, helps EM



Note: As at 03/02/2026. Source: Evercore ISI, RBC GAM

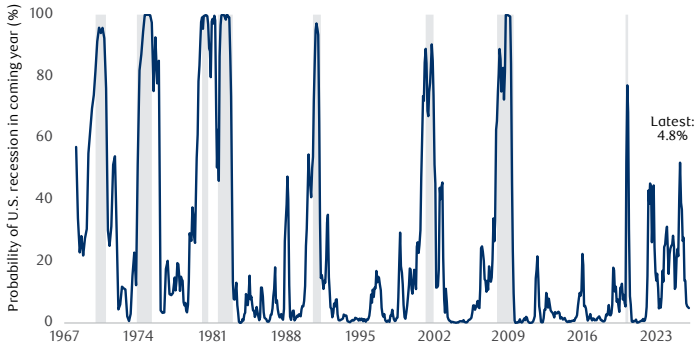
The risk of recession is something of a moving target with oil prices in flux, but our model argues that the risk remains tame (Exhibit 17). More generally, our business-cycle analysis argues we are at a relatively advanced point in the business cycle but with the potential for a few more years of growth.

In turn, our economic-growth forecasts for 2026 are fairly constructive (Exhibit 18). The outlook is good across a variety of dimensions: the revisions to our forecasts from last quarter are mostly positive, the rate of expected growth is broadly favourable relative to each country's potential, most economies are expected to accelerate from 2025 to 2026, and the forecasts are mostly above the consensus (Exhibit 19).

We have the U.S. continuing to grow faster than its developed-world peers in 2026, but to a diminished degree relative to last year.

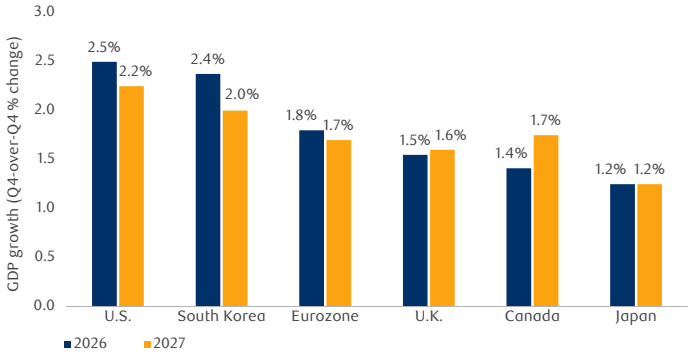
For emerging markets, we also maintain mainly above-consensus forecasts, though the anticipated outperformance is smaller and the level of conviction is a bit weaker – higher energy prices present a particular challenge for Asian economies (Exhibit 20).

Exhibit 17: The probability of a U.S. recession within a year



Note: As of February 2026. Based on RBC GAM model which includes financial and macro factors. Shaded area represents recession. Source: Haver Analytics, RBC GAM

Exhibit 18: RBC GAM GDP forecast for developed markets



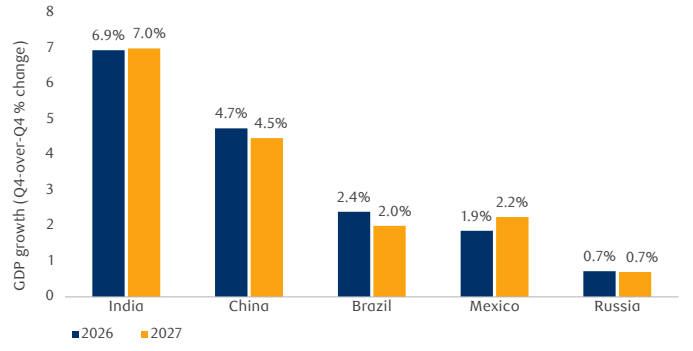
Note: As of 03/06/2026. Source: RBC GAM

Exhibit 19: Growth outlook scorecard

Growth outlook scorecard							
Country/ Region	2026 GDP Forecast (Q4/Q4)	Forecast change vs. prior quarter	Level vs. potential	Momentum vs. prior year	Relative to other nations	Vs. consensus	OVERALL
U.S.	2.5	+	+	+	++	++	+
Canada	1.4	-	+	++	-	--	~
Eurozone	1.8	+	++	+	~	++	+
U.K.	1.5	++	+	++	-	+	+
Japan	1.2	++	+	++	--	+	+
South Korea	2.4	++	++	++	++	++	++

Note: As at 03/06/2026. Source: Bloomberg, RBC GAM

Exhibit 20: RBC GAM GDP forecast for emerging markets



Note: As of 03/06/2026. Source: RBC GAM

Inflation and monetary policy in transition

Inflation had been settling back down in recent months, reliably undershooting the consensus forecast (Exhibit 21). This happy trend reflected the natural gravitational pull toward 2.0% targets, ebbing tariff pressures, disinflationary shelter costs, the importation of Chinese deflation, a smidgen of AI-related deflation, and falling oil prices.

This last component has been replaced by a surge in energy costs – not just for oil, but also for natural gas and related liquids for the Asian and European markets. It would not be a surprise to see headline inflation leap by a full percentage point or more in the most affected markets over the next few months.

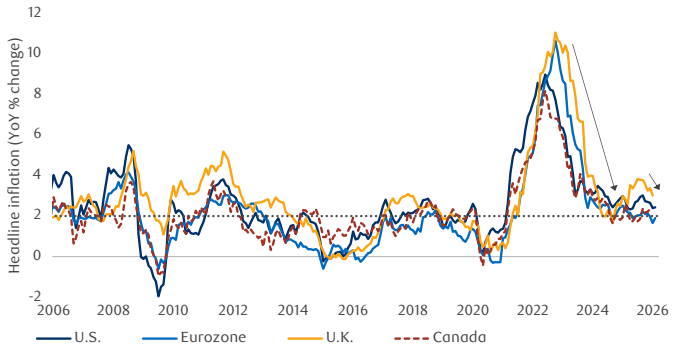
But this doesn't mean the underlying improving inflation narrative must be completely abandoned. Core inflation is unlikely to rise too much given it should experience only the indirect consequences of higher energy costs. And, critically, the increase in oil prices is at worst a one-time shift in the price level (which central banks usually look through, as they did with tariff increases), and is very likely a temporary phenomenon that should begin to unwind as energy resumes flowing more readily through the Strait of Hormuz, the key petroleum chokepoint. Consumer prices could therefore be falling outright for a few months after the blockade is resolved, significantly unwinding any earlier damage to inflation.

As such, we still look for some improvement in inflation over the next year and expect further progress toward (though not necessarily through) central-bank inflation targets (Exhibit 22).

For central banks, this is not a time for rash action. They must balance the temporary impact of higher energy prices with the hit to economic growth. In theory, central banks should care more about the negative economic implications than the positive inflationary ones, so contrary to market thinking it is not automatic that policy rates must rise to confront this inflation shock.

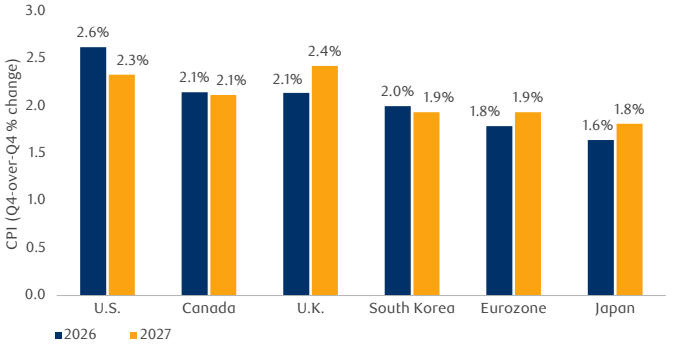
We have come through a period of monetary easing. While the Fed and the Bank of England are likely to continue lowering interest rates, several other developed-world central banks seem to have completed their easing cycles (Exhibit 23).

Exhibit 21: Inflation was settling back down



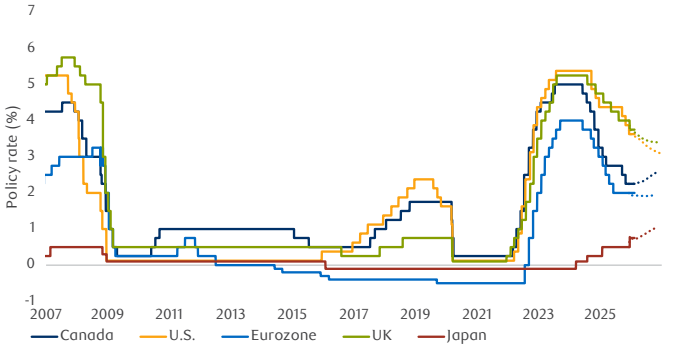
Note: Canada and U.K. as of January 2026, Eurozone and U.S. as of Feb 2026.
Source: Bureau of Labor Statistics, Office for National Statistics, Statistics Canada, Statistical Office of the European Communities, Macrobond, RBC GAM

Exhibit 22: RBC GAM CPI forecast for developed markets



Note: As of 03/06/2026. Source: RBC GAM

Exhibit 23: G7 central-bank monetary policy becoming heterogenous



Note: As of 03/10/2026. Dotted lines indicate futures pricing. Source: Bloomberg, RBC GAM

These newly lowered rates should support economies in 2026. But it is worth beginning to reflect on the fact that the lagged benefit of these rate cuts should fade significantly in 2027 and beyond, and that rate hikes may eventually loom (Exhibit 24).

The proposed new Fed Chair, Kevin Warsh, is likely to deliver modest further monetary easing upon taking over the role late this spring – consistent with White House desires. But we expect Warsh to ultimately maintain a certain amount of independence from the White House, and we note that he has a history of preferring not to grow the money supply too quickly.

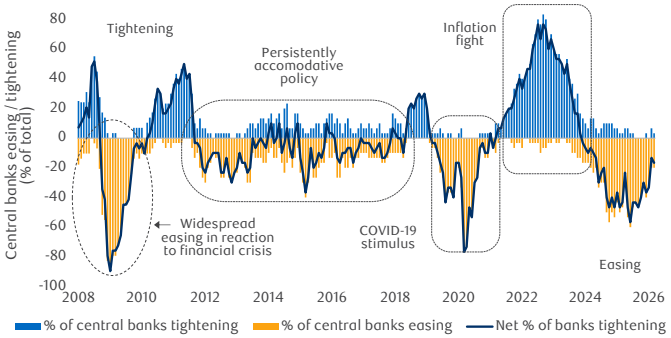
> "China's per-capita growth has been holding relatively steady at approximately 5% per year – about triple the recent U.S. clip."

China: a weak economy now but strength later

China's near-term economic outlook is a bit underwhelming. The country just announced its slowest GDP-growth target since 1991 (4.5-5.0% growth for 2026). Housing is still soft (Exhibit 25), consumer spending growth is cautious, efforts to reduce overcapacity are constraining business investment, and U.S. tariffs sting. Higher oil prices are also a challenge, though it is helpful that Chinese oil imports are still mostly flowing unimpeded through the Strait of Hormuz.

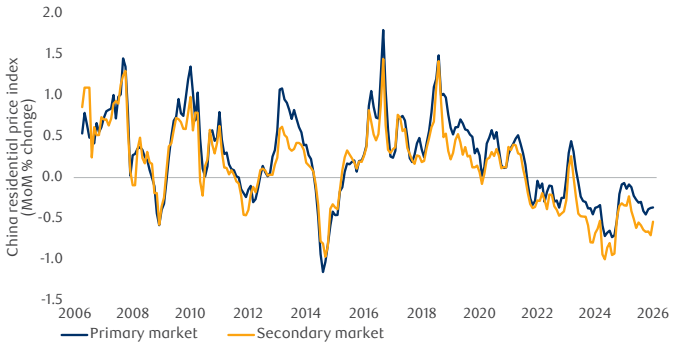
But it isn't all bad. Per-capita growth has been holding relatively steady at approximately 5% per year – about triple the recent U.S. clip (Exhibit 26). The average Chinese citizen is still getting richer at a brisk clip.

Exhibit 24: Era of monetary easing is fading



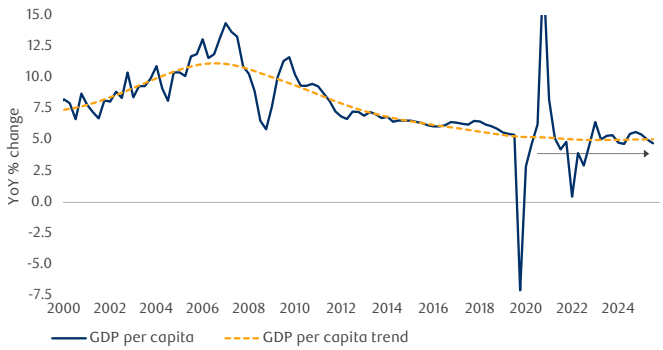
Note: As of 03/09/2026. Based on policy rates for 30 countries. Source: Haver Analytics, RBC GAM

Exhibit 25: Chinese home prices continue to fall



Note: As of January 2026. Source: CNBS, Macrobond, RBC GAM

Exhibit 26: China's productivity growth remains robust



Note: As of Q4 2025. Trend estimated using Hodrick-Prescott filter. Source: China National Bureau of Statistics, Macrobond, RBC GAM

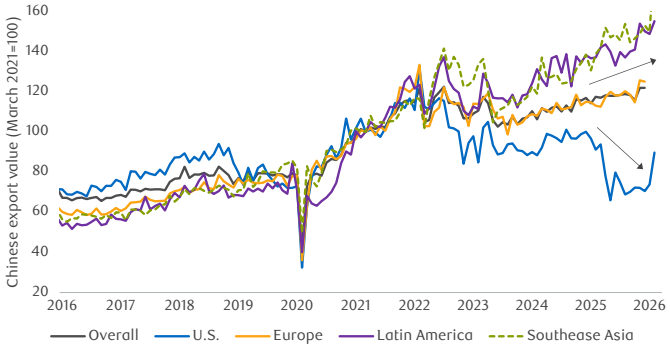
Meanwhile, Chinese exporters have substantially replaced U.S. markets and are broadly thriving (Exhibit 27). The country has become, practically overnight, the world's largest exporter of motor vehicles (Exhibit 28) – evidence that China is successfully moving up the value chain.

If economic hardships were to intensify, China has space for more monetary and fiscal stimulus, and has shown that it can use infrastructure spending as an effective countercyclical policy tool.

This brings us to the key point: China's long-run prospects are quite good, even if the short-term trajectory has not been. The country has clearly succeeded in pivoting from an imitation strategy to an innovation strategy. It is now at the forefront of such major technologies as electric cars, batteries, solar panels and robotics, and is making significant inroads in semiconductors, pharmaceuticals and AI. Indeed, Chinese AI models are themselves converging upon U.S. models, and this is being accomplished at a far lower cost (Exhibit 29).

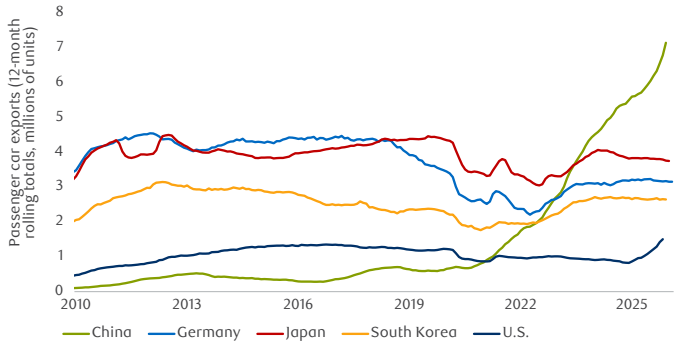
China's research and development budget is rising quickly and is already well above any country spare the U.S. (Exhibit 30). It looks to be positioned to take the pole position within a few years. In short, don't be too distressed by China's recent cyclical weakness – it is in a position to achieve solid growth for many years to come.

Exhibit 27: China pivots from U.S. to other export markets



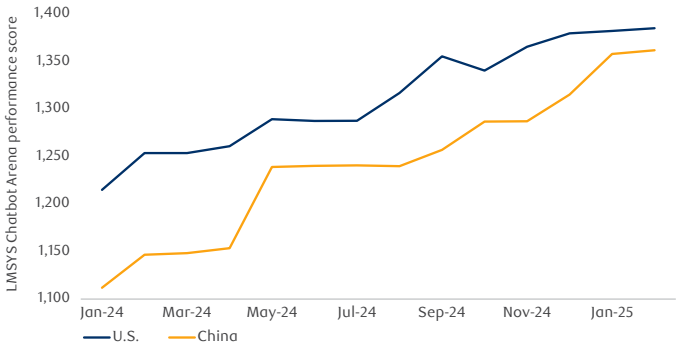
Note: U.S., Latin America and Southeast Asia as of February 2026, total and Europe as of Dec 2025. Source: China General Administration of Customs, Macrobond, RBC GAM

Exhibit 28: China now the top passenger-car exporter



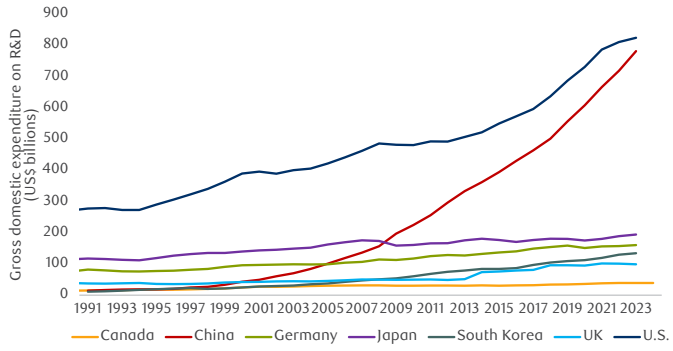
Note: Based on latest data available as of February 2026. Source: China General Administration of Customs, Korea Manufacturers Association, U.S. BEA, Japan Automobile Manufacturers Association, German Association of the Automotive Industry, Macrobond, RBC GAM

Exhibit 29: Chinese AI models are closing the performance gap with the U.S.



Note: As of February 2025. Source: LMSYS, Stanford University HAI Artificial Intelligence Index Report 2025, RBC GAM

Exhibit 30: China is catching up quickly in R&D in terms of dollar amount spent



Note: As of 2024 for Canada, 2023 for all other countries. R&D expenditure in PPP-based constant prices using 2020 as base year. Source: OECD, Macrobond, RBC GAM

Risks to the base-case view

There are unquestionably a variety of downside risks to our base-case outlook, and – at least until quite recently – a degree of complacency about them in financial markets.

The U.S. public policy emanating from the White House remains fast-moving, unorthodox and difficult to anticipate. The scope for policy errors is therefore elevated.

From a geopolitical standpoint, the war with Iran already highlights the potential for volatility. The intensification or persistence of the oil-supply crunch beyond a few months would put a dent in our growth forecast and produce higher inflation than we expect. There is also the question of whether the U.S. might pursue further destabilizing foreign policies.

As discussed, there are a number of scenarios for AI. Some have bad economic repercussions, ranging from AI capital expenditures proving to be malinvestment, to disrupted sectors, to substantial job losses, to a broader dystopia.

Finally, there are a variety of upside risks for bond yields (and thus downside risks for growth), including the possibility that investors become concerned about widespread fiscal excesses, or if the world were to lose further confidence in the U.S. specifically.

For all of that, it would be irresponsible not to flag that things could turn out better than we expect.

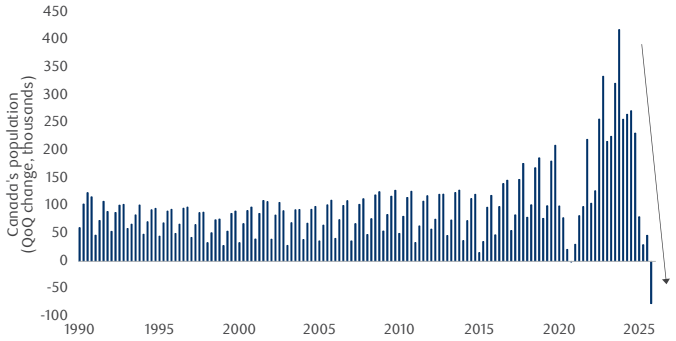
The White House, sensitive to public dissatisfaction and economic weakness, might opt to juice the economy if it detected weakness – especially in the lead-up to challenging midterm elections this fall.

The rest of the developed world continues to awaken from the slumber of its long dependence on the U.S., and this realization could further increase their willingness to make economic growth the priority via more infrastructure investment and military spending, and less red tape.

The war in Iran could reach a ceasefire more quickly than expected, and outright regime change in Iran might bring substantial global positives.

Finally, and as discussed earlier, AI could still resolve in a surprisingly favourable direction.

Exhibit 31: Canada's population now shrinking as federal government cut immigation



Note: As of 10/01/2025. Source: Statistics Canada, Macrobond, RBC GAM

Canadian questions

The Canadian economy is subject to greater uncertainty than many other developed markets. The country has not yet secured a trade deal with the U.S., and USMCA negotiations increasingly appear set to drag into the second half of the year. Higher oil prices are welcome for top-down growth, but it is unclear how long they will last, and the temporary nature of the shock is such that it is unlikely to motivate major additional investments in the energy sector.

So far, the Canadian economic trend has been fairly soft. Last year was difficult, and the economy shrank slightly in the final quarter of the year. Job creation has officially been strong according to the Labour Force Survey, but there is reason to think this statistic has been overestimated. The country's population is temporarily shrinking, which caps overall GDP growth (Exhibit 31).

The Canadian housing outlook varies substantially by region, but further softness is likely at the national level to allow further affordability improvements (Exhibit 32).

The result is that we forecast below-consensus Canadian GDP growth of 1.4% for 2026.

This forecast is nevertheless better than the growth rate that was achieved in 2025, and accordingly the rate of growth should improve somewhat in the coming quarters relative to those just passed (Exhibit 33).

Canada is set to benefit from earlier interest-rate rate cuts, even though monetary policy is now on hold. The latest federal budget included significant fiscal support, in particular several inducements to stimulate capital expenditures. Provincial finances are also becoming more stimulative.

We do not expect USMCA negotiations to yield major changes relative to the tariff mix that prevails today. Still, the resultant policy clarity could unlock additional spending. Hedging its bets, Canada has reached minor economic pacts with a significant number of like-minded nations, potentially unlocking a sliver of additional growth.

A further ray of hope for the domestic economy comes from the observation that Canadian small-business confidence has rebounded enthusiastically in recent months (Exhibit 34).

Bottom line

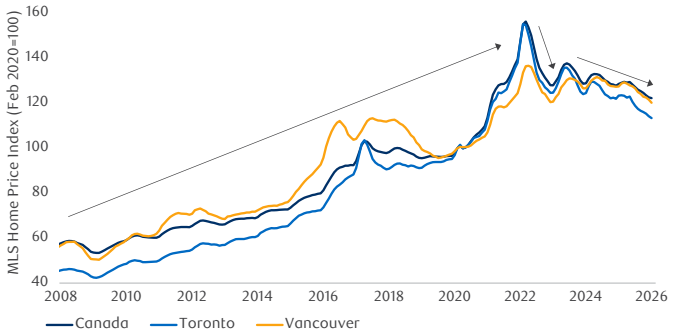
New macroeconomic concerns relating to the war in Iran and the downside risks emanating from AI are both valid and visible in markets. In our view, these developments are unlikely to be killer blows: oil prices should significantly normalize in the coming months, and there are positive AI scenarios to weigh against the negative ones.

It is helpful that economic momentum has been good, and the outlook remains reasonably constructive given a variety of tailwinds including the lagged effect of earlier monetary stimulus, fiscal support, and AI-related capital expenditures and productivity gains. The business cycle gives the impression of being able to persist for another few years.

From an investment perspective, our modest equity overweight is motivated by these macroeconomic fundamentals alongside strong earnings prospects, with the magnitude of the position limited due to full valuations and the undersized equity risk premium. Meanwhile, at a time of elevated uncertainty, it is logical to maintain a significant allocation to fixed income.

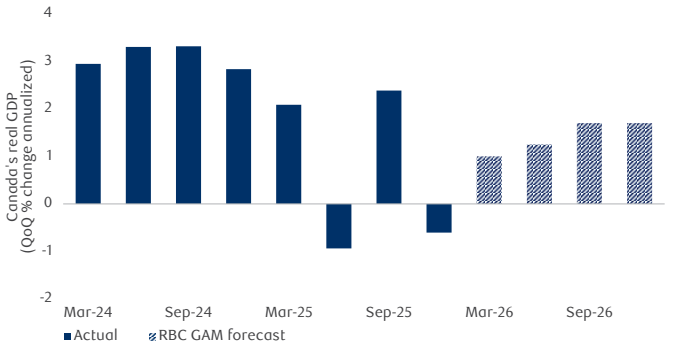
From a regional standpoint, U.S. equities have become less attractive as technology stocks show vulnerability and given expectations for a weaker dollar, and the rest of the world broadly sports more attractive valuations.

Exhibit 32: Canadian home prices continue to decline



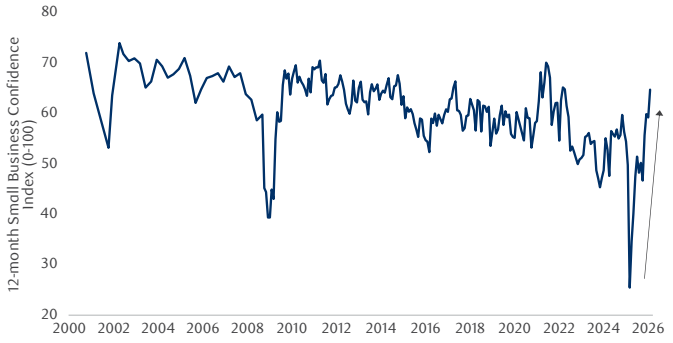
Note: As of January 2026. Source: CREA, Macrobond, RBC GAM

Exhibit 33: Canadian economy to improve in 2026



Note: Actual as of Q4 2025, RBC GAM forecast as of 03/06/2026.
Source: Statistics Canada, Macrobond, RBC GAM

Exhibit 34: Canadian small-business confidence about future conditions rebounds



Note: As of February 2026. Source: CFIB Business Barometer, Macrobond, RBC GAM



Market outlook

Bull market shaken by war



Eric Savoie, MBA, CFA, CMT
Senior Investment Strategist
RBC Global Asset Management Inc.

The outbreak of war in Iran last month roiled financial markets: oil prices surged, sovereign-bond yields rose, and stocks sold off as investors weighed the possibility of higher inflation and weaker economic growth (exhibits 1 to 3). Fear gripped investors as evidenced by sentiment turning extremely pessimistic, and the VIX Index, which measures volatility, jumped to its highest reading since early 2025 (exhibits 4 and 5). The military conflict remains highly fluid and, in our view, the range of potential outcomes around our base case scenario has widened since the end of February. That said, we recognize that geopolitical shocks, even if they appear scary in the moment and cause significant asset-price volatility, don't often have long-lasting implications for the broader economy and financial markets. Of course, a significant escalation of the war and continued blockage of key oil-shipping routes would heighten threats to the economy and push up inflation. But it is also worth considering that the war could come to an abrupt end. In that case, the economic outlook would improve instantly.

Exhibit 1: WTI crude oil
$US/bbl



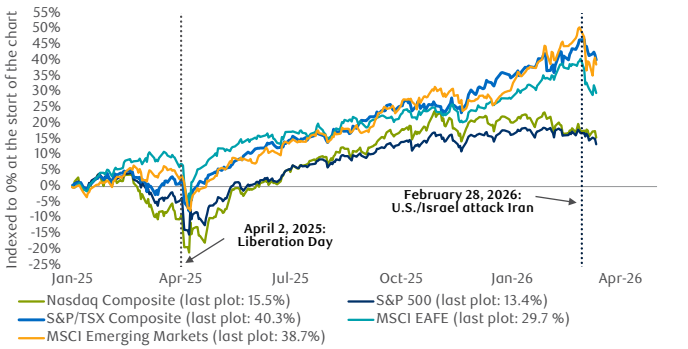
Note: As of March 12, 2026. Source: Bloomberg, RBC GAM

Exhibit 2: U.S. 10-year government bond yield



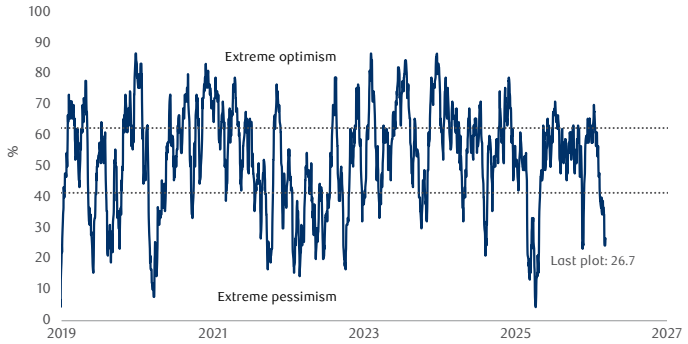
Note: As of March 12, 2026. Source : Bloomberg, RBC GAM

Exhibit 3: Major equity market indices
Cumulative price returns indices in USD



Note: As of March 12, 2026. Source: Bloomberg, RBC GAM

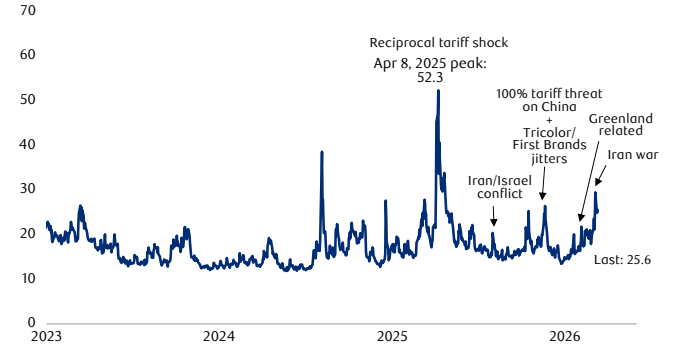
Exhibit 4: Ned Davis Research Daily Trading Sentiment Composite – Percent bulls



Note: As of March 11, 2026. Source: Ned Davis Research, RBC GAM

Our base case view is that the situation in the Middle East will not have a long-lasting impact on the economy. We expect growth to persist this year and next, supported in part by tremendous capital spending related to artificial intelligence (AI) and by expectations that the U.S. Federal Reserve (the Fed) will be able to resume interest-rate cuts in the second half of this year as inflation pressures abate. In this environment, we expect sovereign bonds to deliver low single-digit returns while offering protection should an economic downturn unfold. Stocks continue to offer the potential for superior returns versus fixed income, but they are not offering as much of an advantage as they have in the past, particularly U.S. large-cap stocks. We expect stocks to deliver mid-to-high single-digit returns over the year ahead, with higher returns achieved in regions outside of North America.

Exhibit 5: Volatility Index (VIX) – Chicago Board Options Exchange Market Volatility Index



Note: As of March 11, 2026. Source: Bloomberg, RBC GAM

In determining our recommended asset mix, we consider the balance of risks and opportunities over short and long-term horizons so that our portfolios can withstand a variety of scenarios. This quarter, we have kept our allocations to stocks, bonds and cash unchanged from the prior quarter, with a slight overweight in stocks and a small underweight in bonds. This positioning reflects a constructive base case view, albeit with a heightened uncertainty in the outlook and below-normal risk/reward in stocks versus bonds. Where we did make a change was in our regional equity positioning, increasing our overweight exposure to non-U.S. equities while reducing our U.S. equity allocation to a greater underweight. For a balanced global investor, our current recommended asset mix is 61.0% equities (strategic: "neutral": 60.0%), 38.0% bonds (strategic "neutral": 38.0%) and 2.0% cash.

Geopolitical shocks usually cause only brief market turbulence

A look at how financial markets behaved during past geopolitical shocks may provide a useful guide to how the current situation in Iran could unfold. We constructed a chart that captures the S&P 500 Index's reaction to 42 military conflicts and acts of war of varying length and intensity dating to World War II (Exhibit 6). The data includes the bombing of Hiroshima in 1945, Iraq's attempt to take over Kuwait in 1990 and Russia's invasion of Ukraine in 2022. T=0 on the chart marks the date the event took place, and we've plotted the S&P 500 over the 30 days leading up to the event and the 60 days afterward. The events were grouped into categories such as U.S. aggressor, U.S. target, assassinations, external events and acts of terrorism. The typical experience for these datapoints can be represented by the median, which is plotted for each of these categories separately as well as for all the events grouped together. The chart shows that the S&P 500's median experience was a decline of 3% over five days and the full recovery of losses within 12 days from the event start date. Our conclusion is that financial-market volatility associated with geopolitical shocks tends to be short-lived barring a significant escalation or prolonging of the situation.

A significant tailwind: AI capital expenditures

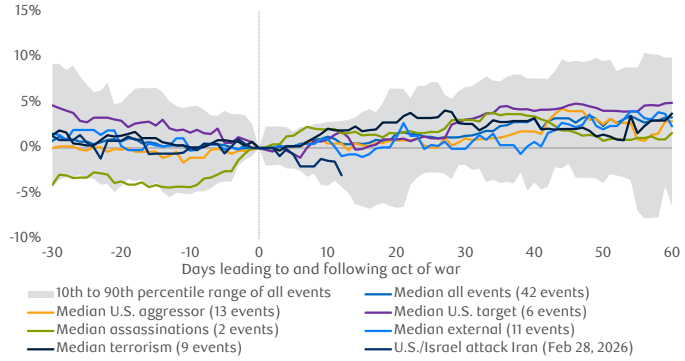
Aside from the war in Iran, the macroeconomic backdrop remains favourable. One of the key tailwinds for economic and corporate profit growth is the significant ramp-up in capital spending in artificial intelligence (AI). The seven biggest U.S. technology companies alone are planning to spend US$648 billion on capital expenditures next year, and the amount is forecast to rise as high as US$756 billion by 2028 (Exhibit 7). These numbers are up from just under US$100 billion in 2020 and suggest a rapidly growing need to build out computing capacity. This massive investment effort is benefiting a variety of sectors and industries beyond technology, including industrial, utility and energy companies.

Fed on pause, but is likely resumes rate cutting later this year

Rate cuts from 2025 are another boost to the economy and more could be coming in the second half of 2026. The reason the Fed is on hold again for now is that the two pieces of its dual mandate – ensuring maximum employment and price stability – are moving in opposite directions. Slowing job gains suggest more rate cuts, while inflation currently above the Fed's 2.0% target would tend to rule out further easing

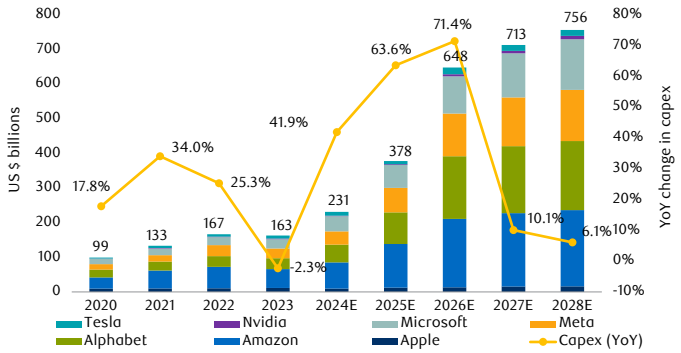
Exhibit 6: S&P 500 through acts of war since WW2

Indexed to 0% at date of event



Date: As of March 12, 2026. Chart captures 42 acts of war dating back to 1941. Full list of events captured in this chart can be found in the Appendix under Exhibit 6A. Source: Bloomberg, Macrobond, Ned Davis Research, RBC GAM

Exhibit 7: Magnificent 7 capital expenditures



Note: As of March 11, 2026. Source: Bloomberg, RBC GAM

(exhibits 8 and 9). The war in Iran further complicates the picture, as higher energy prices stemming from the conflict are an added source of inflationary pressure. The war-related spike in oil prices is unlikely to be sustained, in our view, allowing the Fed under new Chair Kevin Warsh to resume rate cuts later this year. The futures market aligns with this view and is pricing in 25 basis points to 50 basis points in Fed cuts over the year ahead (Exhibit 10). This indicator is roughly in line with our own forecast for 50 basis points of cuts between now and early 2027.

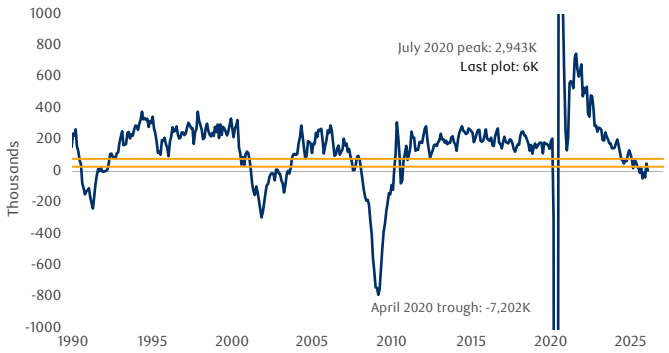
Government bonds offer low return potential, modest valuation risk

Sovereign-bond yields have fluctuated over the past quarter as investors weigh the effects of elevated government-debt levels and stimulative global fiscal policies amid an uncertain macroeconomic environment. The U.S. 10-year yield traded between 3.94% and 4.30% in the past quarter, ending the month of February toward the bottom of the range. But yields began climbing back toward the upper end of that range in early March as investors became concerned that the war in Iran could keep inflation higher for longer. At current levels, yields in all major regions that we track are above our modelled estimates of equilibrium and suggest only modest valuation risk (page 39).



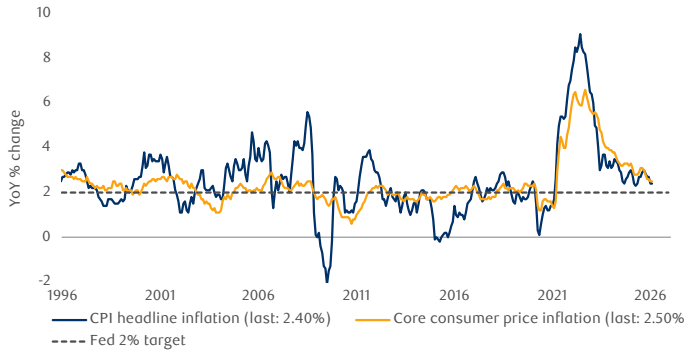
Exhibit 8: United States

Monthly change in non-farm employment (3mma)



Note: As of February 2026. Source: Bureau of Labor Statistics

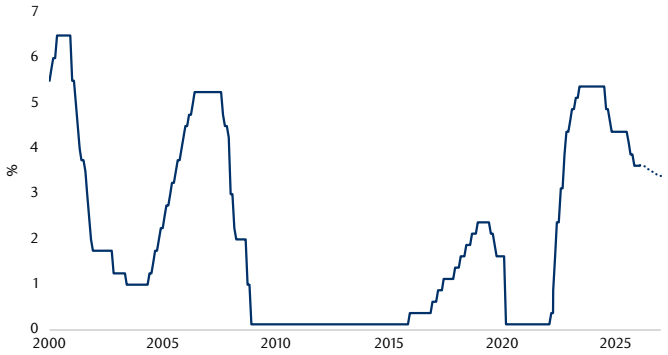
Exhibit 9: U.S. inflation measures



Note: As of January 31, 2026. Source: Bloomberg, RBC GAM

Exhibit 10: U.S. federal funds rate (mid)

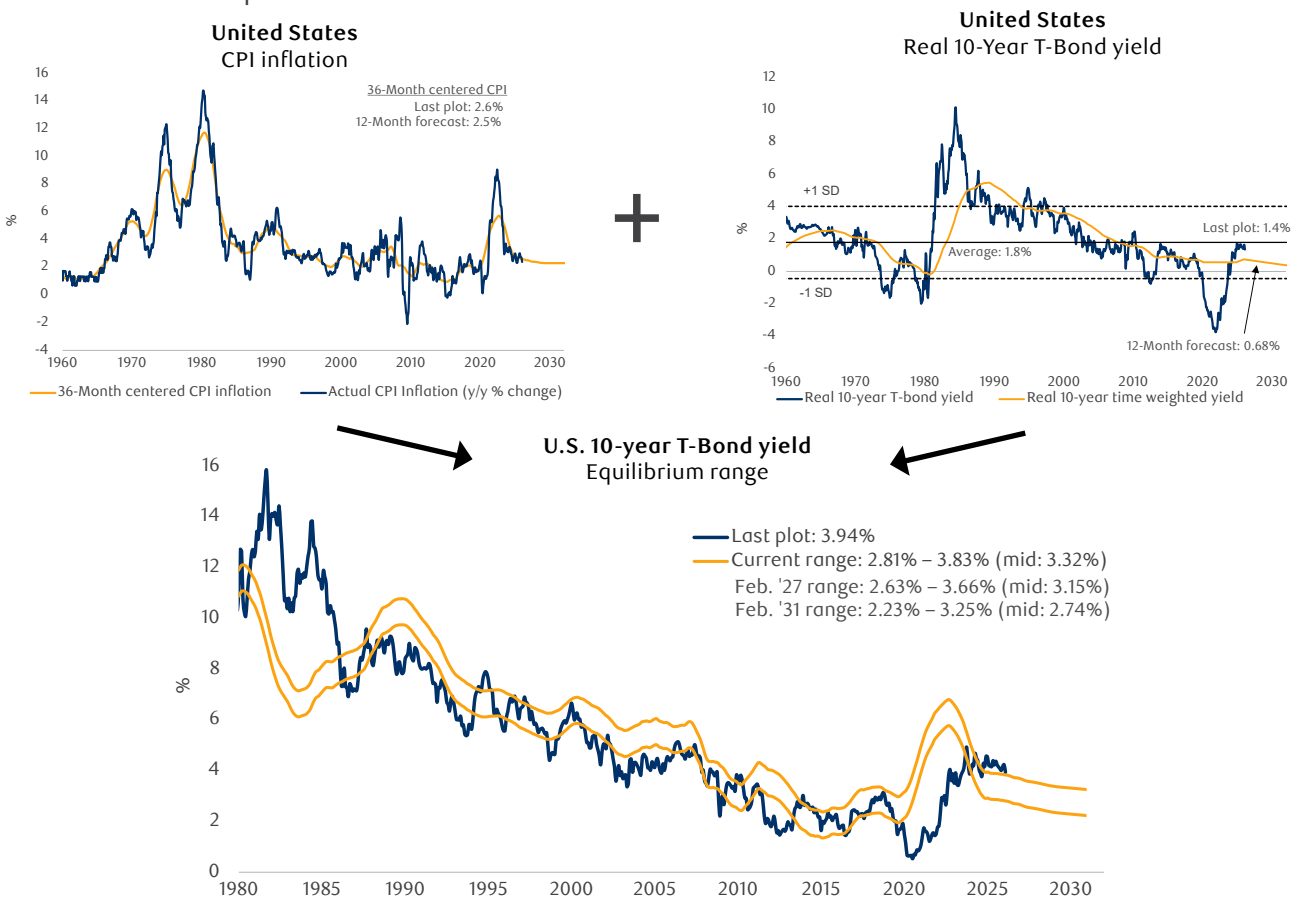
With market-implied forecast



Note: Forecast, shown as dotted line, is based on futures. As of March 13, 2026.
Source: Bloomberg, RBC GAM

Exhibit 11: U.S. 10-year bond yield

Fair-value estimate composition



Note: As of February 28, 2026. Source: RBC GAM

But yields are above our modelled estimate of equilibrium because investors are concerned about inflation risks and extremely elevated government-debt levels. Our modelled equilibrium yield for the U.S. 10-year Treasury stands at 3.3%, falling to 3.1% a year from now based on the expectation that inflation stabilizes around 2% and that real (i.e. after-inflation) yields decline by around 100 basis points over the next year (Exhibit 11). But the conflict in Iran could keep inflation pressures higher than expected, and higher real yields could be supported by ballooning government deficits amid debt-fueled fiscal spending. As a result, we expect yields to move sideways to slightly up over the year ahead, which would result in low-single digit returns.



Credit spreads may remain compressed for a prolonged period

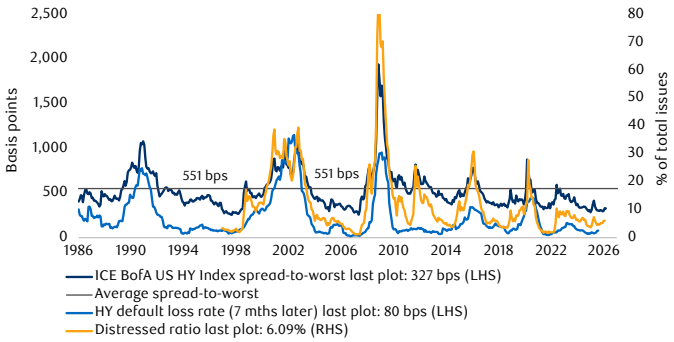
Fixed-income investors have historically been compensated for the higher risks of holding corporate bonds vis-à-vis government bonds, but the reward for taking on the added risk has almost never been smaller. The extra yield offered by high-yield bonds versus Treasuries is near its smallest in four decades (Exhibit 12). As a result, investors are effectively accepting below-normal risk-adjusted returns given the possibility that companies may at some point default on their debts. This situation of tight spreads can persist for some time, though, since corporations are generally in healthy financial shape, the risk of default is low. As Exhibit 13 illustrates, the all-in yield for high-yield bonds remains appealing versus the ultra-low levels during the pandemic.

As equity-market valuations creep higher, the potential for returns diminishes

Although the conflict Iran has weighed on equities since the end of February, stocks are still sitting on impressive gains over the past year. The double-digit gains in stocks over the past year, supported by robust economic growth and a surge in AI-related spending, have pushed our global composite of stock valuations to its highest level since early 2022 (Exhibit 14). Importantly, since 2023, the main source of concern regarding valuations was limited to U.S. large-cap stocks. More recently, however, other markets have reached valuation extremes. Equity indexes in the U.S., Canada and Japan are all a full standard deviation above our modelled estimate of fair value. We note that stocks in Europe and emerging markets remain below fair value and therefore offer better return prospects (page 40).

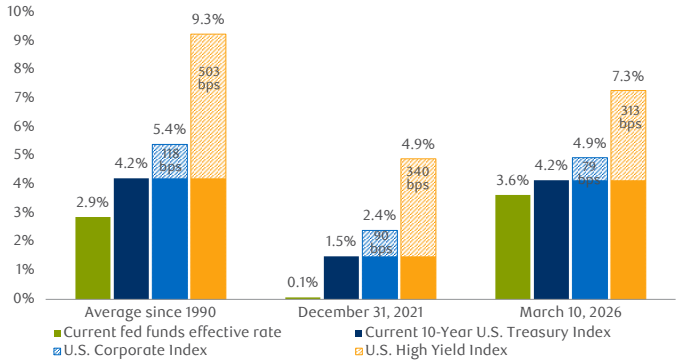
> "Since 2023, the main source of concern regarding valuations was limited to U.S. large-cap stock."

Exhibit 12: High yield bond spread



Note: As of March 12, 2026. Source: BofAML, Credit Suisse, RBC GAM

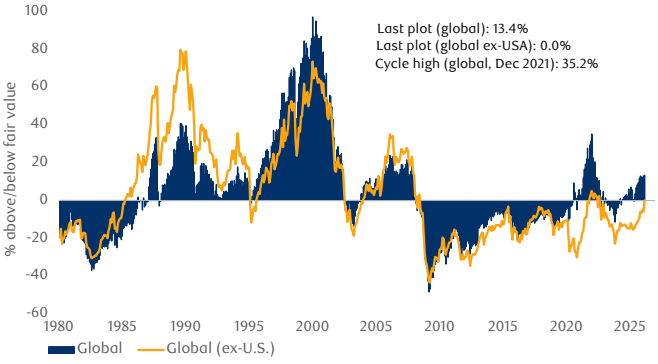
Exhibit 13: Yield to maturity



Note: Current spread as of March 10, 2026. Shaded areas within the bars indicate the yield spread versus the U.S. 10-year Treasury bond yield. Source: ICE BofA, RBC GAM

Exhibit 14: Global stock-market composite

Equity market indexes relative to equilibrium



Note: As of February 28, 2026. Source: RBC GAM

Expensive stocks can be supported by rapid profit growth...

High valuations can be supported if corporate profits are rising fast enough to justify the premium multiples being paid by investors. For the S&P 500, currently the most expensive of the major equity-market indexes, the profit outlook is indeed rosy. Analysts look for S&P 500 earnings to rise 16% this year and another 15% next year (Exhibit 15). Importantly, these estimates have been frequently raised over the past year as profits consistently exceeded expectations.

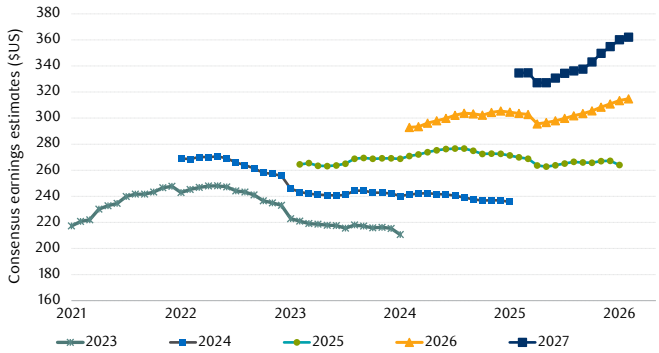
One of the reasons that profits have been able to grow so quickly is that profit margins have been expanding (Exhibit 16). Productivity is improving with the help of AI, making workers more efficient and enabling businesses to bolster output without increasing costs, and sometimes by actually reducing costs. Analysts look for S&P 500 profit margins to rise about a full percentage point over the next year, which contributes roughly 8% to the index's earnings growth.

...but the bang for your buck is even better outside U.S. large caps

Other regions are also experiencing strong corporate profit growth. For some indexes, the pace at which earnings are expected to rise is on a par with, or even superior to, the S&P 500, and some of them trade at lower valuations. It is worth noting that earnings growth in emerging markets is expected to exceed S&P 500 profit growth both this year and next, even as emerging markets trade at a significantly lower overall valuation (Exhibit 17). What the table in Exhibit 17 highlights is that strong earnings growth is expected almost everywhere over the next couple of years, and that indexes outside the U.S. large-cap space may offer access to that earnings growth at a cheaper price.

Exhibit 15: S&P 500 Index

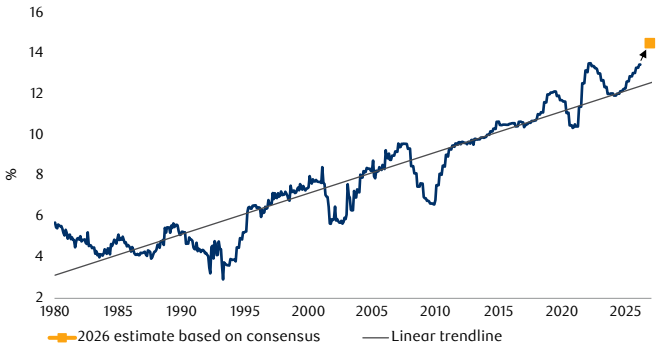
Consensus earnings estimates



Note: As of March 11, 2026. Source: Bloomberg, RBC GAM

Exhibit 16: S&P 500

Net Margin



Note: As of March 2026. Source: Bloomberg, RBC GAM



Exhibit 17: Major stock-market indices

Consensus earnings outlook

	Current			2024	2025			2026			2027		
Index	Index level	EPS	P/E	EPS	EPS estimate	EPS Growth	Implied P/E	EPS estimate	EPS Growth	Implied P/E	EPS estimate	EPS Growth	Implied P/E
MSCI Emerging Markets	1516	95.19	15.9	80.04	87.24	9.0%	17.4	119.06	36.5%	12.7	137.85	15.8%	11.0
Russell 1000	3659	154.63	23.7	131.07	148.00	12.9%	24.7	174.53	17.9%	21.0	200.70	15.0%	18.2
S&P/TSX Composite	32943	1698.92	19.4	1452.54	1619.75	11.5%	20.3	1936.41	19.5%	17.0	2177.55	12.5%	15.1
S&P 500	6710	280.79	23.9	239.24	269.16	12.5%	24.9	315.67	17.3%	21.3	364.32	15.4%	18.4
S&P 400 Mid Cap	3375	186.39	18.1	178.30	179.03	0.4%	18.9	208.49	16.5%	16.2	236.78	13.6%	14.3
Russell Mid-Cap	3904	204.00	19.1	180.44	197.23	9.3%	19.8	224.28	13.7%	17.4	254.04	13.3%	15.4
S&P 600 Small Cap	1516	90.93	16.7	80.47	87.45	8.7%	17.3	101.37	15.9%	15.0	120.58	19.0%	12.6
Russell 1000 Value	2119	111.62	19.0	100.72	108.24	7.5%	19.6	121.77	12.5%	17.4	135.66	11.4%	15.6
STOXX 600	599	36.59	16.37	35.58	35.76	0.5%	16.7	39.08	9.3%	15.3	43.22	10.6%	13.9
MSCI World	4426	203.03	21.8	179.51	196.19	9.3%	22.6	223.55	13.9%	19.8	253.44	13.4%	17.5
MSCI China	81	6.34	12.8	5.98	6.16	3%	13.2	6.87	11.5%	11.8	7.91	15.2%	10.3
MSCI UK	2963	195.11	15.2	195.36	189.76	-2.9%	15.6	211.16	11.3%	14.0	230.81	9.3%	12.8
S&P 500 Equal Weighted	7943	429.59	18.5	385.14	418.17	8.6%	19.0	463.87	10.9%	17.1	517.54	11.6%	15.3
MSCI Japan	2263	118.94	19.0	108.24	116.18	7.3%	19.5	127.22	9.5%	17.8	139.47	9.6%	16.2
MSCI Europe	201	12.11	16.6	11.81	11.85	0.3%	17.0	12.87	8.6%	15.6	14.22	10.5%	14.2
MSCI EAFE	2968	174.37	17.0	164.09	171.37	4.4%	17.3	183.36	7.0%	16.2	201.44	9.9%	14.7

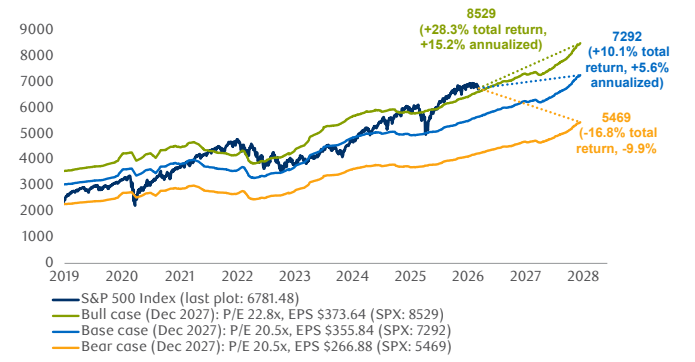
Note: As of March 12, 2026. Sorted by 2026 EPS growth. Source: Bloomberg, RBC GAM

Scenario analysis reveals better risk/reward in international equities

Exhibits 18 and 19 plot our bull/bear/base case scenarios for the S&P 500 and MSCI Europe, respectively. These scenarios help gauge the range of possible returns for stocks based on earnings and valuation projections. We can observe from the S&P 500 chart that the index has been tracking its bull case, which is a period when earnings exceed analyst expectations by 5% and valuations are a full standard deviation above the norm. This is an aggressive assumption, but if it holds through to the end of 2027 the S&P 500 would generate a 15.2% annualized return by then. For the MSCI Europe Index,

Exhibit 18: S&P 500

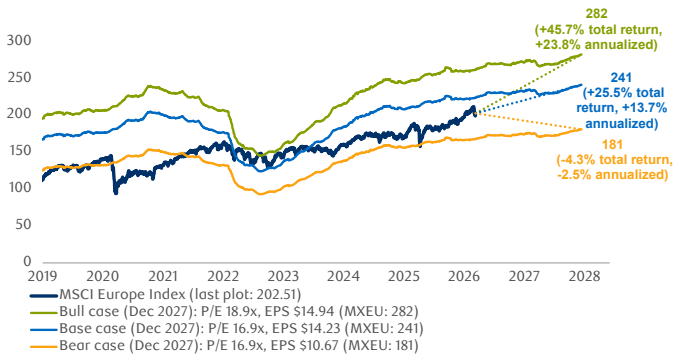
Scenario analysis



Note: As of March 10, 2026. Source: Bloomberg, RBC GAM

Exhibit 19: MSCI Europe

Scenario analysis



Note: As of March 10, 2026. Source: Bloomberg, RBC GAM

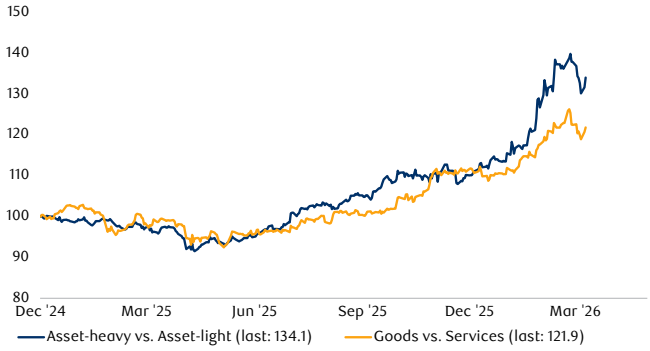
which is not as expensive to begin with, that number is 23.8%! Those bull case scenarios would require many things to go right, including a de-escalation in the Iran war, inflation near 2%, the extension of easy monetary policies by central banks and robust economic growth. The base case scenario is a more conservative projection and produces an annualized return of 5.6% by the end of 2027, versus 13.7% for European equities. The much less demanding starting point for European equities suggests the risk/reward for those stocks is more favourable than it is for the S&P 500.

What's in style? Hard assets and non-U.S. international equities

While AI has dominated the business headlines for years, it is only in the past 12 months that AI has virtually taken over as the determiner of stock-market returns as investors piled into companies that have benefited from the immense capital spending. Since the AI build-out requires massive investments in data centres, infrastructure, and energy, the market is now rewarding hard-asset companies over asset-light models. Manufacturers of advanced computer chips, data-storage systems and networking equipment are the current investor darlings, while the recurring revenues of software services have fallen out of favour. Since the start of 2025, the stocks of hard-asset companies have outperformed asset-light ones by 39% percentage points, while goods-producing companies, more generally, have led service-based businesses by 26 points (Exhibit 20). Conversely, firms deemed vulnerable to AI disruption have faced a steep sell-off, plummeting 21% since September 2025 (Exhibit 21).

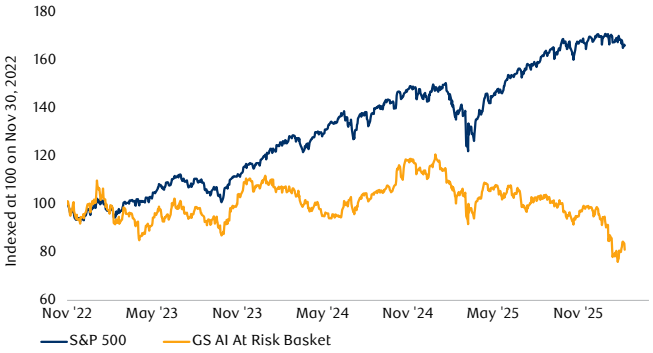
On a regional basis, investors have shifted their preference away from U.S. large-cap stocks to other regions. Stocks in Canada, Europe, Japan and emerging markets were up 28% to 47% in U.S. dollars over the past year, whereas the S&P 500 was up 15%. While the outperformance in non-U.S. stocks has been remarkable, it pales in comparison to the pronounced underperformance of these stocks relative to the S&P 500 since 2009 (Exhibit 22). It remains to be seen whether the leadership in non-U.S. stocks can be sustained. But should these long-term trends reverse, the outperformance of non-U.S. stocks could have a lot of room to run.

Exhibit 20: Asset-heavy, goods-producing S&P 500 company relative performance



Note: As of March 10, 2026. Source: Goldman Sachs, Bloomberg, RBC GAM

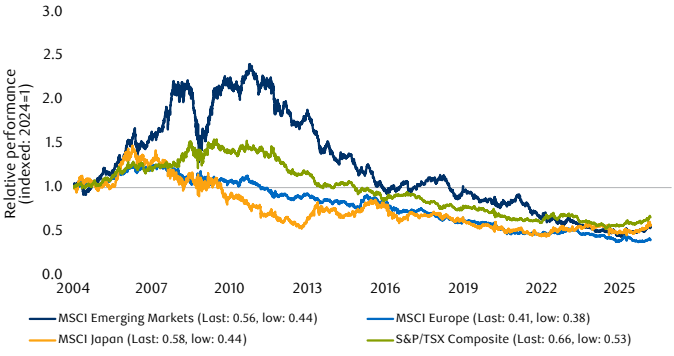
Exhibit 21: AI at risk basket performance since launch of Chat-GPT



Note: As of March 10, 2026. Source: Goldman Sachs, Bloomberg, RBC GAM

Exhibit 22: Relative performance

Non-U.S. equity markets vs. S&P 500



Note: As of March 10, 2026. Source: RBC GAM

Asset mix – boosting overweight to non-U.S. equities

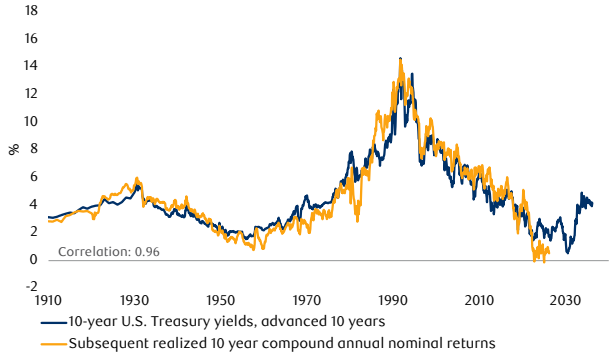
Our asset-mix decisions consider that the range of outcomes around our central scenario are especially wide, particularly given the war in Iran. Due to a variety of risks related to geopolitics, AI disruption and elevated government debts, combined with the fact that equity valuations are elevated in some regions, we believe the current environment is one where only modest risk taking is appropriate.

A reliable estimate of the returns that investors can expect to receive from government fixed income is the current yield to maturity of the bonds. Exhibit 23 plots the relationship between the yield on the U.S. 10-year Treasury and realized return over the subsequent 10-year holding period. The two lines on the chart track closely, with a correlation of 0.96, suggest exceptionally strong predictive power. As a result, the current yield of 4.0% on U.S. 10-year Treasuries is, in our view, a robust forecast for government-bond returns over the next decade.

For stocks, a similar long-term relationship exists, but between valuations and returns. Higher valuations based on Shiller's cyclically adjusted P/E (CAPE) tend to result in lower future returns over the following decade and vice versa (Exhibit 24). As of the end of February, the Shiller P/E was situated at an elevated 32.6 times earnings. If the past relationship holds, investors can expect an annualized return over 10 years of roughly 4% from the S&P 500. This figure is no different than the one above for U.S. 10-year Treasuries and implies that there is no advantage to overweighting stocks in the current environment.

Assuming continued growth in the global economy and a near-term de-escalation of the Iran war, we expect non-U.S. equities to outperform. As a result, this quarter we increased our overweight exposure in Canadian, European, Japanese and emerging-market equities, and expanded our underweight position in U.S. equities. We have left our top-level asset allocation unchanged from the prior quarter, with only a small overweight position in stocks versus bonds, where that overweight is directed toward non-U.S. regions. For a balanced global investor, our current recommended asset mix is 61.0% equities (strategic: "neutral": 60.0%), 37.0% bonds (strategic "neutral": 38.0%) and 2.0% cash.

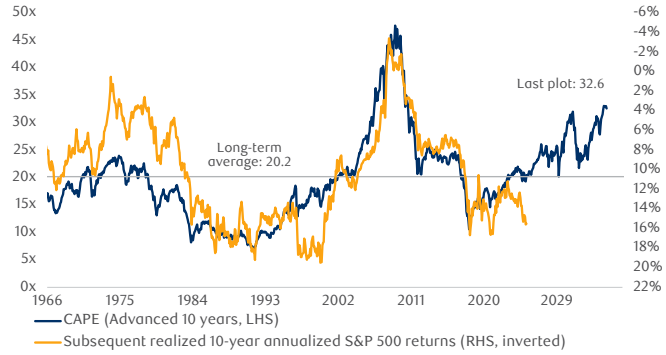
Exhibit 23: U.S. 10-year Treasury note and returns



Note: March 10, 2026. Source: Deutsche Bank, Macrobond, RBC GAM

Exhibit 24: Shiller's CAPE

Real S&P 500 Index / 10-year average of real EPS



Note: As of February 28, 2026. Source: Macrobond, Bloomberg, RBC GAM

APPENDIX

Exhibit 6A: Market response to acts of war

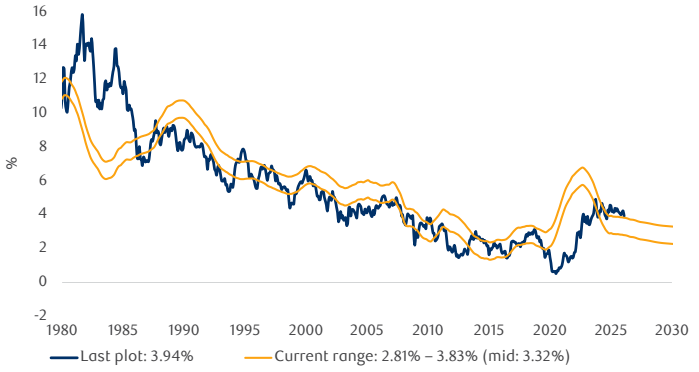
Returns and median statistics

	Date	S&P 500 Peak to Trough	US 10-year yield change (bps) from S&P 500 peak to trough	Gold change from S&P 500 peak to trough	DXY change from S&P 500 peak to trough	Crude oil (WTI) change from S&P 500 peak to trough	Trading days of S&P 500 decline	Trading days to S&P 500 recovery
Acts of War		**-3.0%**	**0**	**1.5%**	**0.3%**	**0.7%**	**5**	**12**
US Aggressor		**-1.4%**	**9**	**-1.0%**	**0.5%**	**0.3%**	**5**	**11**
Hiroshima bomb	Aug 6, 1945	-1.4%					2	4
Bay of Pigs invasion announced	Apr 17, 1961	-3.4%					6	20
Gulf of Tonkin Incident	Aug 4, 1964	-0.8%	-1				3	6
US Bombs Cambodia	Apr 30, 1970	-15.0%	40		0.0%		19	87
Attempt to free Iranian hostages fails	Apr 28, 1980							
US invades Grenada	Oct 25, 1983	-2.8%	16	-4.0%	2.1%	-0.3%	11	15
US Bombs Libya	Apr 15, 1986							
US invades Panama	Dec 18, 1989	-0.4%	0	1.2%	0.5%	0.7%	2	3
Coalition bombing of Iraq	Jan 17, 1991							
Coalition Invasion of Afghanistan	Oct 5, 2001	-1.4%	9	-1.0%	0.5%	0.3%	3	4
Invasion of Iraq	Mar 19, 2003							
U.S. kills top Iranian commander	Jan 3, 2020							
U.S. captures Venezuelen president	Jan 3, 2026							
US Target		**-5.2%**	**-6**	**1.1%**	**-1.9%**	**0.8%**	**10**	**12**
Japanese bomb Pearl Harbor	Dec 8, 1941	-6.7%					16	20
U-2 shot down; US admits spying	May 9, 1960							
Cuban Missile Crisis begins	Oct 23, 1962							
US Marines killed in Lebanon	Oct 24, 1983							
Spy plane captured in China	Apr 2, 2001	-3.7%	-6	1.1%	-1.9%	0.8%	3	4
Snowden Releases NSA files	Jun 6, 2013							
Assassinations		**-0.6%**	**0**	**n/a**	**n/a**	**n/a**	**2**	**2**
Martin Luther King assassinated	Apr 4, 1968	-0.6%	0				2	2
Robert Kennedy assassinated	Jun 5, 1968							
External		**-5.4%**	**17**	**3.3%**	**0.5%**	**2.5%**	**13**	**18**
N.Korea invades S.Korea	Jun 26, 1950	-7.9%					16	65
Soviet Union invades Afghanistan	Dec 26, 1979							
Iraq invades Kuwait	Aug 2, 1990	-12.6%	63	8.3%	-3.0%	38.3%	16	135
Russia Invasion of Georgia	Aug 7, 2008							
Egypt's Hosni Mubarak removed	Feb 11, 2011							
Syria Uprising begins	Mar 15, 2011	-1.9%	-13	0.2%	0.5%	0.8%	2	4
Libya – Muammar Gaddafi Overthrown	Aug 28, 2011							
Russia invades Crimea, Ukraine	Feb 28, 2014	-0.7%	-5	1.8%	0.5%	2.4%	2	3
Russia invasion of Ukraine	Feb 24, 2022	-4.8%	17	3.3%	2.5%	12.5%	12	15
Hamas attack on Israel	Oct 7, 2023	-5.9%	28	7.0%	0.7%	2.5%	13	20
Israel attacks Iran	Jun 13, 2025							
Terrorism		**-3.0%**	**-4**	**3.4%**	**-0.2%**	**-3.9%**	**5**	**12**
Seizure of American Embassy in Iran	Nov 5, 1979	-1.9%	15	3.7%	-0.2%	0.5%	3	5
World Trade Centre bombing	Feb 26, 1993							
Oklahoma City bombing	Apr 19, 1995							
U.S. Embassy Bombings Africa	Sep 23, 1998	-10.0%	-11	3.4%	-3.5%	-5.6%	12	20
Bombing of USS Cole	Oct 12, 2000							
WTC and Pentagon Attacks	Sep 11, 2001	-11.6%	-14	7.2%	-1.5%	-7.8%	10	18

Note: Highlighted rows show median statistics. Source: Bloomberg, Macrobond, Ned David Research, RBC GAM

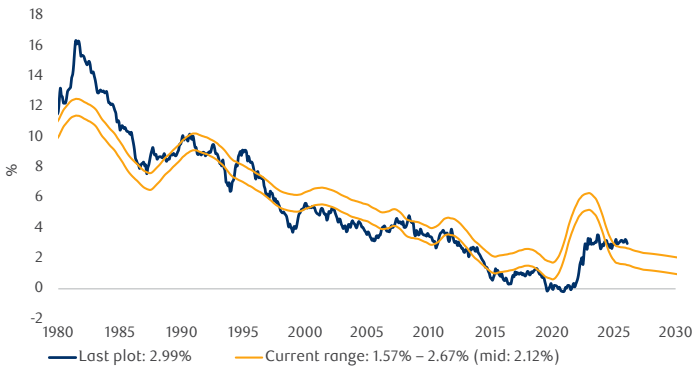
Global fixed income markets

U.S. 10-Year T-Bond Yield
Equilibrium range



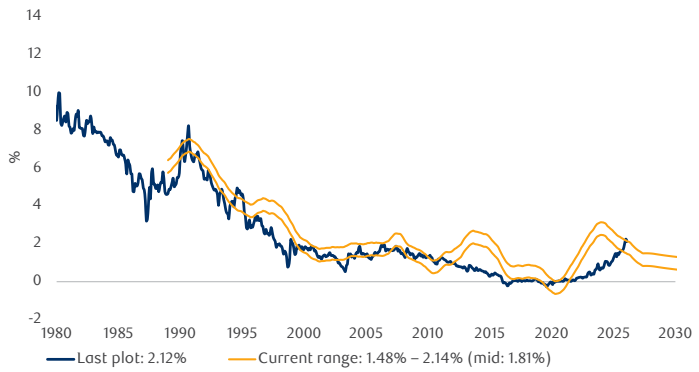
Note: As of February 28, 2026. Source: RBC GAM

Eurozone 10-Year Bond Yield
Equilibrium range



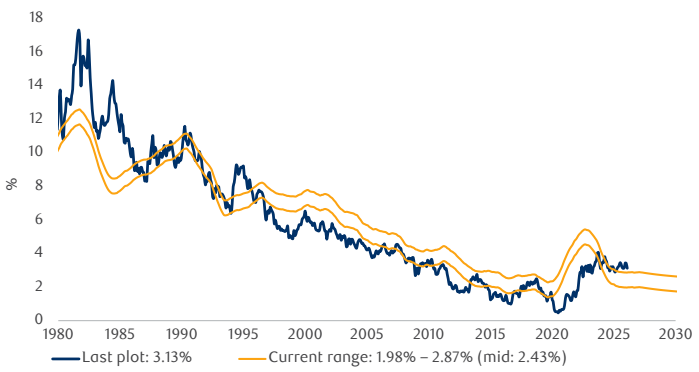
Note: As of February 28, 2026. Source: RBC GAM

Japan 10-Year Bond Yield
Equilibrium range



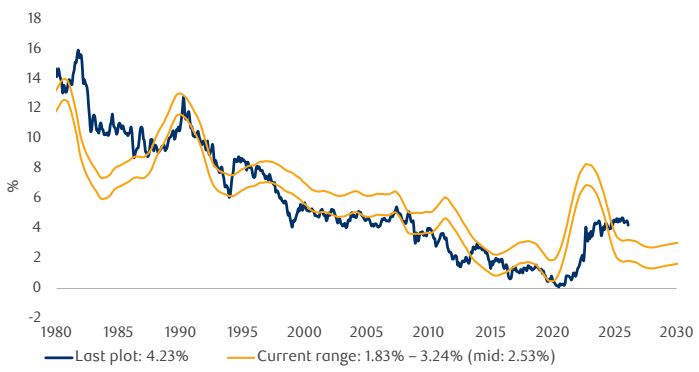
Note: As of February 28, 2026. Source: RBC GAM

Canada 10-Year Bond Yield
Equilibrium range



Note: As of February 28, 2026. Source: RBC GAM

UK 10-Year Gilt
Equilibrium range

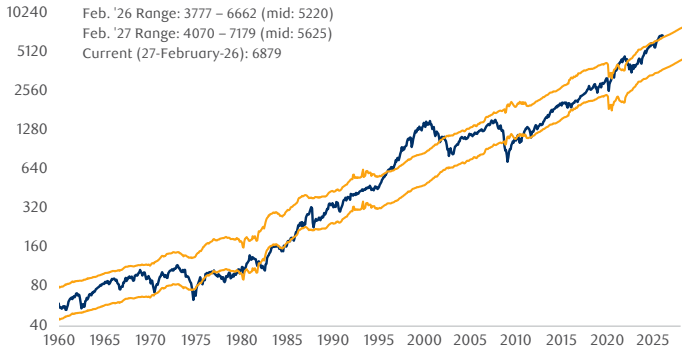


Note: As of February 28, 2026. Source: RBC GAM

> "Yields in all major regions that we track are above our modelled estimates of equilibrium and suggest only modest valuation risk."

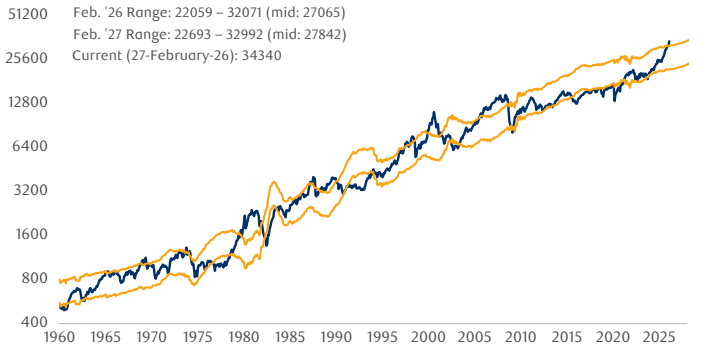
Global equity markets

S&P 500 Equilibrium
Normalized earnings and valuations



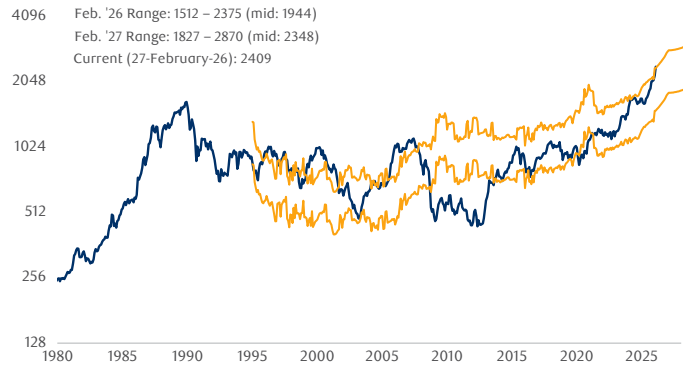
Note: As of February 28, 2026. Source: RBC GAM

S&P/TSX Composite Equilibrium
Normalized earnings and valuations



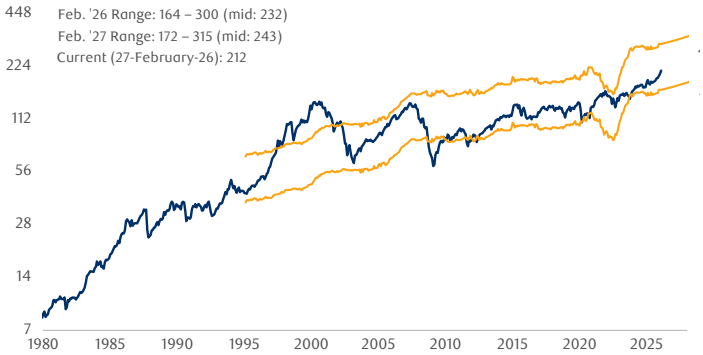
Note: As of February 28, 2026. Source: RBC GAM

MSCI Japan Index
Normalized earnings and valuations



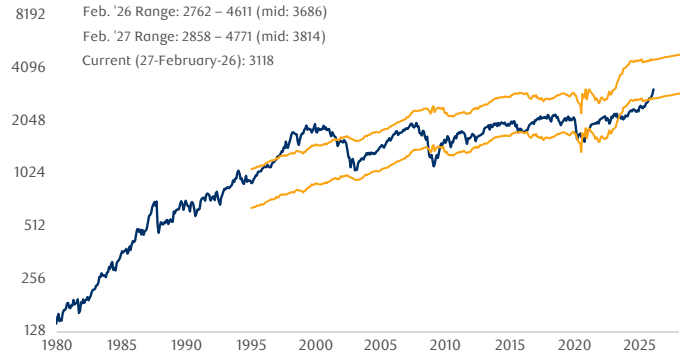
Note: As of February 28, 2026. Source: RBC GAM

MSCI Europe Index
Normalized earnings and valuations



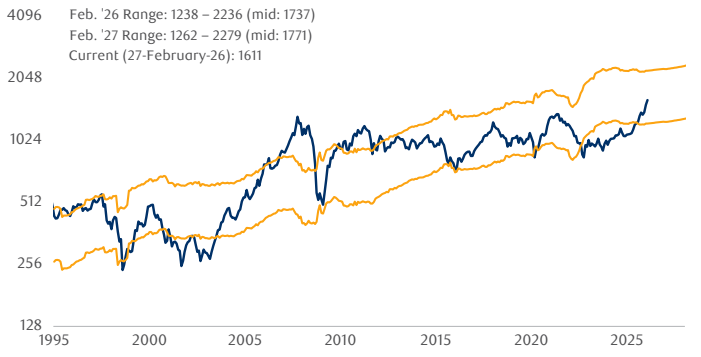
Note: As of February 28, 2026. Source: RBC GAM

MSCI UK Index
Normalized earnings and valuations



Note: As of February 28, 2026. Source: RBC GAM

MSCI Emerging Markets Index
Normalized earnings and valuations



Note: As of February 28, 2026. Source: RBC GAM

Note: the fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index.



Global fixed income markets



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The bond market is offering investors a premium in exchange for the risk of lending for longer investment horizons. With a bit of extra yield to start with compared to cash, we expect global government-bond returns will be in the mid-single digits – compared with just 2.30% likely to be earned investing in cash. Most markets outside of Canada offer higher overall yields, leading us to recommend that investors hold overweight positions in non-Canadian bonds. We also recommend being overweight investment-grade corporate bonds relative to government bonds as corporate balance sheets remain strong.

In the scenario of a deep downturn in equities or the economy, we forecast government-bond returns would be higher. Implicit in this forecast is the assumption that bonds provide a buffer to balanced-portfolio returns, something we believe is much more likely now that the rate of inflation has fallen back toward 2%. Central banks appear to have more leeway to cut interest rates in support of economic growth given that prices are rising more slowly and domestic labour markets are less frothy thanks to slower immigration, and amid uncertainty about the impact of artificial intelligence (AI).

Financial markets, however, are not currently expecting much in the way of interest-rate cuts from central banks. In fact, investors expect most central banks to keep rates on hold for a significant period. The European Central Bank (ECB) and the Bank of England (BOE) are not expected to change interest rates for at least two years. Meanwhile, investors expect the Bank of Canada (BOC) to do nothing for about a year. In the U.S., where policy rates are arguably still above neutral and policymakers are under political pressure to cut interest rates further, a scant two cuts are priced by next February. An outlook of little to no change in policy rates aligns with what policymakers have communicated to investors: inflation is lower, labour markets are stable, and policy rates are at or near levels that are neither stimulative nor restrictive – a safe place to be if you don't have a strong view on how the economy will evolve over the next few years. Given the scale and speed with which investments are being made to support AI, as well as the widespread disruption to trade networks, we think the idea that central banks will do nothing for up to two years is fanciful. We should have a much clearer view of the actual impact of these forces on the economy well before then.

Considering uncertainty over the path of inflation and short-term interest rates, investors demand greater compensation for lending to governments over longer periods – what is commonly referred to the term premium. Bond yields across all maturities are higher than what is implied by expectations for future central-bank interest rates. It's fair to say that bond investors are worried about the future.

It's not just the economy that worries bond investors – policy risks have risen too. Central banks are under increasing pressure to support government efforts to keep borrowing rates low. The incoming Chair of the U.S. Federal Reserve (Fed), Kevin Warsh, favours some sort of accord between the Fed and the Treasury Department. One of his goals, to shrink the size of the Fed's balance sheet, would require changes to laws that currently restrict the capacity of domestic banks to hold Treasuries. This kind of policy support is very different from that which occurred in the aftermath of the global financial crisis. Back then, central banks launched large-scale purchases of government bonds, which were in high demand because their attraction as safe-haven assets offset their very low yields. Policymakers were trying to coerce investors to take more risk by forcing them out of super-safe government bonds. Importantly, central bankers were doing so while politicians cut back spending.

The better historical parallel of policy coordination during periods of high yields is probably the European Central Bank's (ECB) massive purchases of government debt in the 2010s, which helped keep borrowing costs under control in the eurozone and contain the sovereign-debt crisis then afflicting Greece, Italy and other southern European countries. Of course, the ECB has never had to answer the question of what it would have done if inflation hadn't been effectively zero or negative for much of that period. To be sure, the U.S. government does not face an imminent fiscal crisis. However, the long-term prospects are very poor, even compared with other developed nations. The U.S. government faced a similar fiscal quandary after the Second World War, when it had a very high debt-to-GDP ratio and mounting borrowing costs. At the time, the Fed agreed to cap long-term bond yields to manage the debt. Ironically, the 1951 Treasury-Fed Accord, which ended this arrangement of extreme policy coordination, is the inspiration for Warsh's plan.

Our concerns about the fiscal state of affairs in the U.S. and Europe have led us to highlight our call to overweight Japanese bonds. It is becoming clear that the UK, the U.S. and France have supplanted Japan as the developed world's riskiest credits. Take Japan's fiscal balances: the government's projected 2026 budget deficit before interest payments rests at 1.4% of GDP - significantly lower than 3% in the U.S. Investors who fixate on Japan's 250% gross debt-to-GDP ratio are overlooking the high level of domestically owned debt and the country's large pot of assets owned abroad. In fact, Japan maintains the largest net international investment position in the G7, effectively funding cheaply at home to earn significantly higher returns elsewhere over the years.

The recent additional fiscal stimulus from the prime minister is relatively marginal. Although the package is roughly 3.5% of GDP, much of it is non-fiscal or spread over multiple years, meaning it adds only a tiny amount to the overall deficit. Japan's government budget deficit has been narrowing rapidly, with some estimates suggesting a surplus may even be reached this year or next.

We recognize that Japan's long period of disinflation and low bond yields is passing. However, the current steep yield curve is compensating investors for debt-supply concerns, the growth premium from positive fiscal impulse and a fading disinflation impulse as core-core inflation is expected to remain above 2% for a considerable period.

In short, economies are growing at a decent rate, governments are running large deficits, and the world recently experienced a huge surge in inflation. Investors are much more skeptical about the long-run safety of government debt. In turn, they've rightly demanded higher compensation, and global yield curves have steepened. This is a much more difficult environment for central banks to justify further easing and they are in wait-and-see mode. Bond investors should not expect to earn much in the way of capital gains over the next 12 months. Absent a much more significant downturn in the economy than we currently expect, bonds should offer slightly higher returns than cash given that fixed-income securities are offering higher returns as maturities extend.

Direction of rates

We anticipate 10-year Treasury yields to gradually rise to match our forecast of 4.50% for the 10-year yield, from around 4.00% currently.

United States

The second year of President Trump's term arrives with more evidence of the U.S. economy's resilience. Even as the labour market has cooled and trade relationships have been upended, economic activity has continued to exceed expectations. Trump's penchant for ignoring long-standing rules has extended to the Fed, which he has publicly put under immense pressure to cut interest rates. Luckily, falling inflation made it easy for the Fed to oblige. Additionally, Trump has introduced two handpicked dovish candidates to the Federal Open Market Committee (FOMC), including Warsh as the new chairman.

With the economy doing well, inflation likely to pick up a bit in the first half of the year and Fed rate cuts still expected at some point this year – it appears unlikely that the Fed will make a surprise rate cut in the next month or two. Indeed, even with pressure from the White House, the FOMC members have become increasingly vocal about the idea of pausing rate reductions. Policy uncertainty will be a large headwind for the Fed yet again, as the U.S. could elect to make major changes to the USMCA free-trade pact. Considering Trump's track record, we view the odds of a major trade disruption as low.

War has again broken out in the Middle East with a U.S.-led attack on Iran. Prices of Treasuries and other government bonds anticipated the conflict with gains in the week leading up to the outbreak of hostilities. Provided the war does not escalate into a wider global conflict between major powers, our view is that the more pressing impact for bond markets will be higher energy prices and a global shipping shock. Such an uptick in inflation would throw a wrench into investors' expectations that the Fed might cut interest rates substantially his year, especially as inflation is already hovering nearer to 3% than 2%.

Looking ahead, our base case scenario is for the Fed to deliver 0.50 percentage point of rate cuts over the next year. These cuts would take the Fed into modestly accommodative territory. With our growth outlook relatively rosy, we anticipate 10-year Treasury yields to gradually rise to match our forecast of 4.50% for the 10-year yield, from around 4.00% currently.



We foresee that the BOC will keep its policy rate at 2.25% over the next year, and that the yield on the Canadian 10-year government bond will trade at 3.5% at some point during the same period.

Canada

The BOC returned to holding rates steady after implementing two reductions in last year's fourth quarter. The central bank continues to express caution regarding Canada's economic trajectory, projecting modest GDP expansion of 1.1% in 2026 and 1.5% in 2027. The BOC has also indicated that it will maintain its current policy stance unless confronted with significant economic disruptions or material changes to the economic outlook. That said, Canada's economy faces headwinds from U.S. tariff measures and the inherent unpredictability of evolving trade partnerships. The status of Canada's trade agreement with the U.S. and Mexico is subject to ongoing uncertainty, and the pending review could result in outcomes ranging from minor adjustments to major economic disruption for Canada. Trade conflicts are also constraining provincial economic growth, leading to widening budget deficits in the upcoming fiscal year. This challenge is expected to be partially offset by stimulative government spending from both federal and provincial governments.

We foresee that the BOC will keep its policy rate at 2.25% over the next year, and that the yield on the Canadian 10-year government bond will trade at 3.5% at some point during the same period. Significant spending and large provincial deficits will lead to a higher borrowing requirement in 2026 and 2027. We expect longer-term bond yields to rise faster than short-term yields, driven by the need for fiscal stimulus and higher term premiums.

For 10-year gilt yields, we maintain our forecast of 4.50%, with an expected trading range of 3.50%–4.80% over the coming year.

United Kingdom

The UK gilt market is being shaped by a weakening economy and the prospect of slowing inflation. However, the government still faces significant borrowing needs, with gross gilt issuance estimated at £250 billion for 2026. As a result, investors are likely to keep demanding higher returns to compensate for holding gilts, particularly longer-dated bonds. Near-term volatility is likely between early March's fiscal update and May local elections, as markets react to potential increases in government spending.

Recent economic data presents a mixed picture. Retail sales and manufacturing activity remain solid, but wage growth and persistent services inflation should limit how quickly the BOE can cut rates. We expect inflation to keep declining gradually as unemployment rises, and January's drop in CPI inflation to 3.0% was a continued move in the right direction.

Markets expect a 0.50% reduction in the BOE's policy rate to 3.25% over the next year, which we believe represents the bottom of this easing cycle. We align with this market view, forecasting the base rate at 3.25% by this time next year, 25 basis points lower than in the previous Global Investment Outlook. For 10-year gilt yields, we maintain our forecast of 4.50%, with an expected trading range of 3.50%–4.80% over the coming year.

Our forecast is for Chinese bond yields to gradually rise.

China

Chinese bond yields continue to be remarkably low – reflecting both a dour outlook for the demographic future of the country, but also a domestic shortage of safe assets.

Our forecast is for Chinese bond yields to gradually rise. We believe continued fiscal stimulus and domestic reforms will eventually bear fruit in the form of stronger growth, leading to higher yields. China has pivoted its trading partnerships strongly over the past several years in the face of pressure from the U.S., and a period of disinflation due to excess capacity and insufficient domestic demand appears to be finally waning. The government latest longer-term economic plan is built on three pillars. First, it focuses on domestic consumption by offsetting the negative impact on consumers of the property crash. Second, it seeks to restore profitability in sectors that will lift wages, and third, it emphasizes the central bank's commitment to currency stability in the face of a redefined U.S. trading relationship. All three of these government aims suggest higher bond yields.

We expect 10-year Japanese government bond yields to fall over our forecast horizon, eventually reaching 2.00%, from 2.12% at the time of writing.

Japan

We view Japanese government bonds (JGBs) as attractive for long-term investors. Thirty-year yields on JGBs are around 3.30% at the time of writing, a level that we believe the BOJ is unlikely to reach with policy rates. Market expectations for future bond yields are so extreme that they outstrip those offered on Treasuries. In simpler terms, the significant premiums offered on longer-term bonds relative to those on shorter-term bonds suggest that investors are well compensated for future risks in Japan. We believe that the BOJ will gradually raise its policy rate over the coming year, the curve will flatten, inflation will ease, and that Japanese bonds will likely outperform those of other regions. We have increased our expectations for the likely peak in the policy rate, expecting it to rise to 1.50% from 0. 75% currently. Our earlier peak forecast was 1.00%. We expect 10-year Japanese government-bond yields to fall over our forecast horizon, eventually reaching 2.00%, from 2.12% at the time of writing.



We maintain our view that German 10-year bunds will trade at 3.00% sometime over the next 12 months, up from approximately 2.70% at the time of writing.

Eurozone

German bund yields are likely to remain relatively stable, or even fall slightly, in the near term given the ECB's accommodative policy stance and falling inflation. With the ECB maintaining policy rates at 2.0% throughout 2026 and core inflation tracking around the ECB's 2% target, longer-dated bond yields are expected to remain range-bound. However, bond yields could rise as government fiscal programs flow through the economy with full force in the second half of our forecast horizon.

Our view centres on improving eurozone growth momentum, particularly in Germany, where fiscal stimulus is already translating into stronger industrial orders. We anticipate this trend will persist, pushing economic growth above its long-run potential rate and lifting yields on longer-dated bonds. Additionally, elevated German government-bond supply, combined with the ECB's continued passive quantitative tightening at €42 billion per month, will increase supply and compound pressure on yields. The combination of these factors creates a scenario where growth-driven yields rise at a time of persistent monetary accommodation.

We expect the ECB to remain cautious and do not forecast any rate changes over the coming 12 months. While near-term falls in inflation may spark expectations of rate cuts, our upbeat economic outlook suggests the ECB will look through these near-term concerns and hold rates steady. We maintain our view that German 10-year bunds will trade at 3.00% sometime over the next 12 months, up from approximately 2.70% at the time of writing.

Recommendation

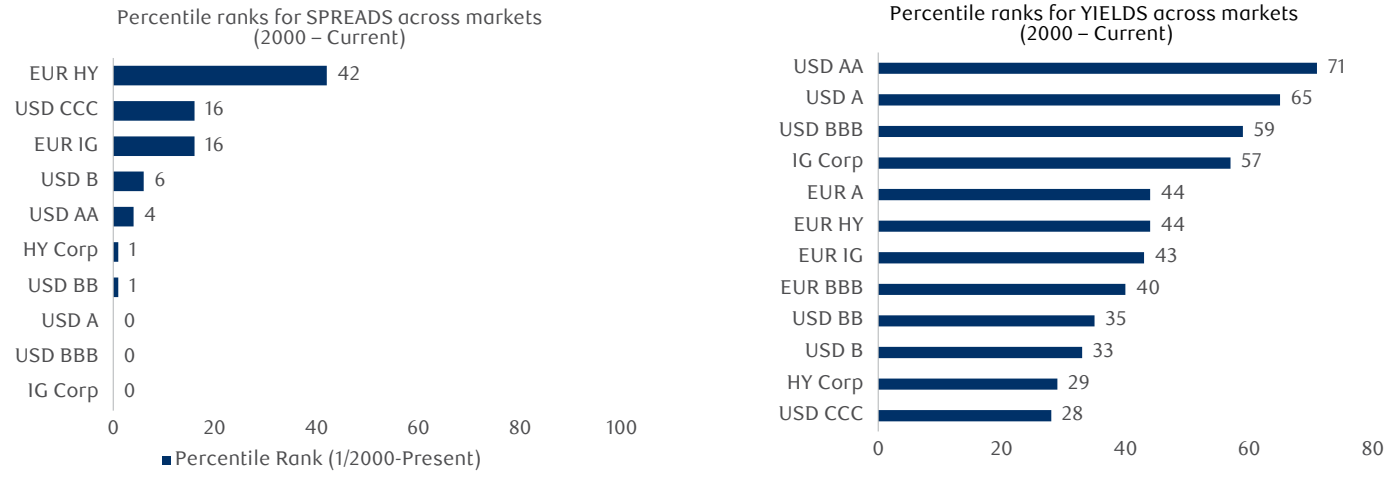
We recommend being overweight government bonds of countries and regions outside Canada, as yields and the potential for price gains are higher internationally. Regionally, we recommend being overweight JGBs relative to German bunds. We recommend being overweight corporate bonds relative to government bonds, particularly corporate bonds with less than five years to maturity.

Canadian corporate bonds

Over the past two years, strong demand for corporate bonds drove credit spreads to multi-year tights. Investors continually purchased fixed-income funds and ETFs, attracted by higher all-in yields. Higher yields on the benchmark government securities off which a corporate all-in yield is based mean that, despite corporate credit spreads being near their tightest levels over the past 25 years, the all-in yields rank much more favorably (Exhibit 1).

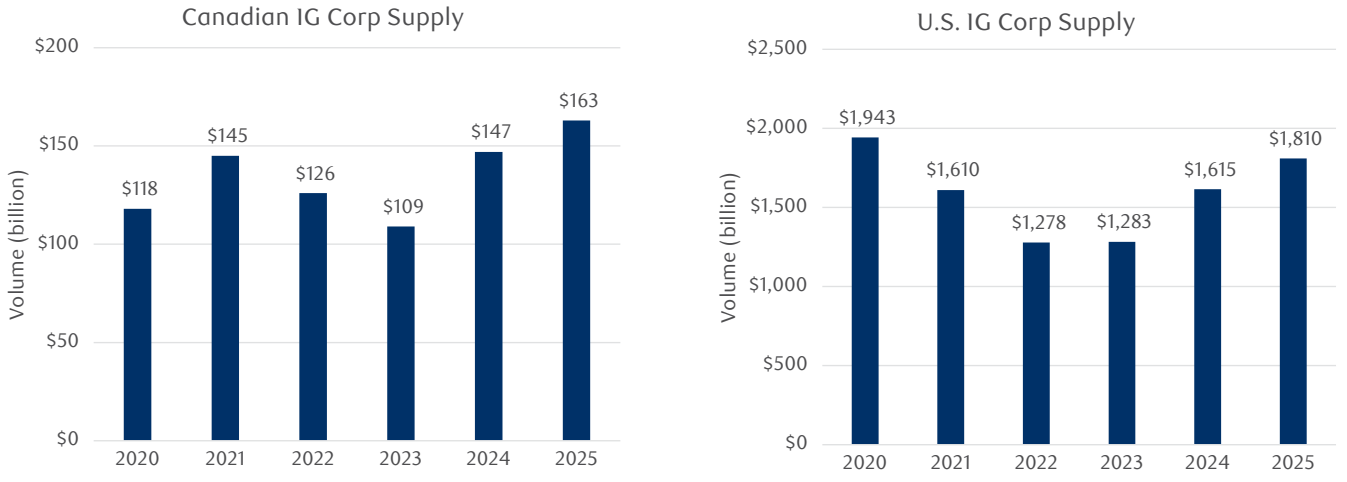
While demand for corporate bonds has been robust, the supply in the new-issue market rose as well. For 2025, the Canadian investment-grade market saw a record $169 billion issued, while the U.S. investment grade market registered US$1.81 trillion, its second-highest tally ever (Exhibit 2). Large bond issuance often occurs during periods of market strength when companies are confident they will find receptive lenders.

Exhibit 1: Credit spreads are tight, but the all-in yields rank much more favourably



Note: As of January 31, 2026. Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 2: : Investor demand supported elevated bond issuance



Note: As of January 31, 2026. Source: Scotiabank, Morgan Stanley Research

Looking forward, there is the risk that the technical backdrop turns into a headwind, potentially leading to wider spreads. Demand for corporate bonds could be impacted by a more volatile interest-rate environment, with meaningfully higher or lower overall interest rates resulting in lower inflows into bond funds. On the supply side, there are expectations that volumes will remain elevated for the upcoming few years. There will be higher refinancing needs, as we see increased maturities from bonds issued in 2020 and 2021. We might also see elevated net new issuance tied to the hyper-scalers (Google, Meta etc.), which have been issuing with increased frequency in the U.S. market. There is a wide range of forecasts for total hyper-scaler issuance in 2026, but if it ends up in the range of US$200 billion to US$250 billion, it will significantly exceed previous highs for the sector that were closer to US$40 billion annually. This issuance would impact the Canadian investment-grade market, either directly if the hyper-scalers consider issuing bonds in Canada, or indirectly by the influx of issuance weighing on global investment-grade markets.

We recommend investors own a higher share of corporate bonds and be ready to increase exposure if spreads widen. Given our sanguine outlook for the economy and relatively healthy corporate balance sheets, we believe the effect of softer bond supply-demand balance would push spreads wider only gradually, rather than portending a sharp move higher in credit risk and spreads.



Interest-rate forecast: 12-month horizon

Total-return calculation: March 5, 2026 – March 5, 2027

U.S.						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	3.13%	3.50%	4.00%	4.50%	5.00%	3.01%
Change to prev. quarter	0.00%	0.20%	0.30%	0.25%	0.20%	
High	4.13%	4.35%	4.70%	5.00%	5.30%	0.60%
Low	2.4%	2.5%	2.9%	3.5%	4.25%	7.83%
Expected Total Return C$ hedged: 3.0%						
Germany						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	2.00%	2.25%	2.50%	3.00%	3.60%	1.70%
Change to prev. quarter	0.00%	(0.05%)	(0.10%)	0.00%	0.20%	
High	2.50%	2.80%	3.25%	3.50%	4.00%	(1.17%)
Low	1.50%	1.50%	1.80%	2.25%	3.00%	6.97%
Expected Total Return C$ hedged: 2.1%						
Japan						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	1.50%	1.50%	1.80%	2.00%	3.20%	4.86%
Change to prev. quarter	0.50%	0.30%	0.30%	0.20%	(0.05%)	
High	2.00%	2.25%	2.40%	2.50%	4.00%	(2.81%)
Low	0.75%	1.00%	1.50%	1.70%	3.00%	7.55%
Expected Total Return C$ hedged: 5.5%						
Canada						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	2.25%	2.70%	3.00%	3.50%	4.00%	2.44%
Change to prev. quarter	0.00%	0.20%	0.15%	0.25%	0.15%	
High	3.00%	3.40%	3.60%	4.00%	4.30%	(0.06%)
Low	**1.50%**	**1.90%**	**2.25%**	**2.75%**	**3.50%**	**6.20%**
Expected Total Return C$ hedged: 2.4%						
UK						
	3-month	2-year	5-year	10-year	30-year	Horizon return (local)
Base	3.25%	3.40%	3.75%	4.50%	5.00%	6.79%
Change to prev. quarter	(0.25%)	(0.30%)	(0.15%)	0.00%	(0.15%)	
High	4.00%	4.00%	4.30%	4.80%	5.25%	3.59%
Low	2.25%	2.40%	2.80%	3.50%	4.70%	11.23%
Expected Total Return C$ hedged: 5.6%						

Source: RBC GAM



Currency markets

Emerging-market currencies take centre stage



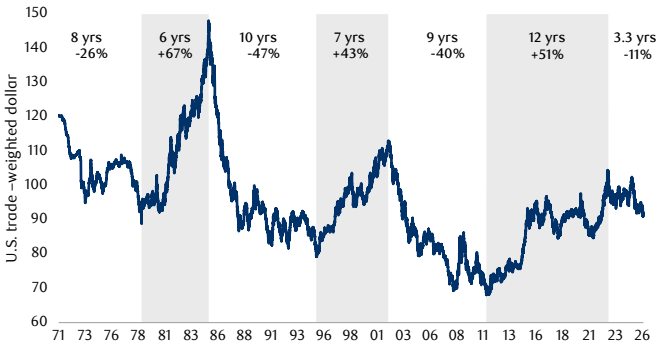
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Managing Director &
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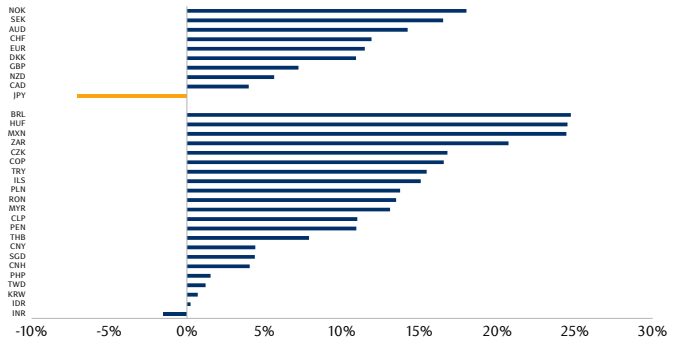
Our assumption at the end of last year was that the U.S. dollar would resume its weakness on continued tariff uncertainty, unrestrained fiscal spending and the threat of a politicized Federal Reserve (Fed). Over the past year, the dollar has fallen by roughly 10% on a trade-weighted basis (Exhibit 1), and the declines have furthermore unfolded against both emerging- and developed-market currencies (Exhibit 2). Outside of Asia, where currencies tend to be highly managed by central banks, returns against the dollar have averaged 12% to 15%. Double-digit returns are less common these days, but we think this move is simply the first phase of the dollar's descent. Analogues to past U.S.-dollar bear-markets (Exhibit 3) suggest that another leg of U.S. dollar weakness is coming, and that at least another 10% fall is needed to bring the overvalued greenback down to levels more in line with its purchasing power over the next few years.

Exhibit 1: Long-term cycles in the U.S. trade - weighted dollar



Note: As at February 13, 2026. Source: Bloomberg, U.S. Federal Reserve, RBC GAM

Exhibit 2: 12-month currency returns



Note: As at February 26, 2026. Source: Bloomberg, RBC GAM

Supporting the view that we are in the early stages of another big U.S. dollar bear market are a variety of cyclical and structural factors. A few of these are worthy of more detailed explanation.

The U.S. yield advantage has shrunk

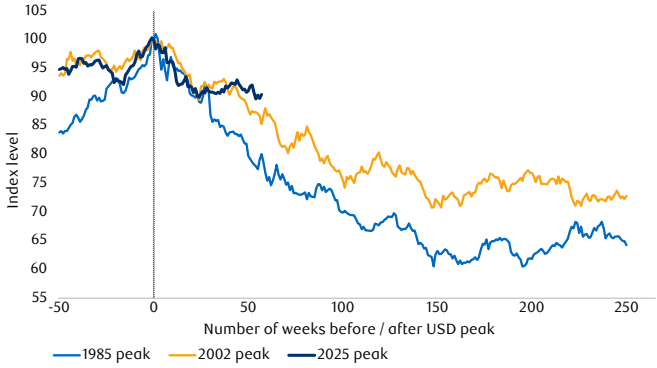
The Fed remains in rate-cutting mode, most recently reducing the bank's key policy rate by 25 basis points in December, and two more interest-rate reductions are expected before year-end. The arrival of Kevin Warsh, a Fed governor between 2006 and 2011, as the replacement for current Chair Jerome Powell is aligned with market expectations for further interest-rate cuts. Warsh was likely required to establish his predisposition for cutting rates as a condition for securing President Trump's nomination. Even if the Fed ends up easing monetary policy less than is currently expected, the Fed will stand out as one of the more dovish developed-market central banks, since the European Central Bank (ECB) and the Bank of Canada (BOC) appear to be on hold while central banks in Japan and Australia have been raising rates (Exhibit 4).

There is greater competition for capital from the rest of the world

For several years, returns on U.S. stocks have outrun other developed-market regions as greater fiscal spending bolstered domestic economic growth. U.S. returns have also been fuelled by exposure to the technology companies that have been at the forefront of developing and supplying artificial intelligence (AI). More recently, however, U.S. stocks have begun to cede some of their leadership (Exhibit 5) on concerns about valuations and that AI will destroy the business models of software developers, which account for

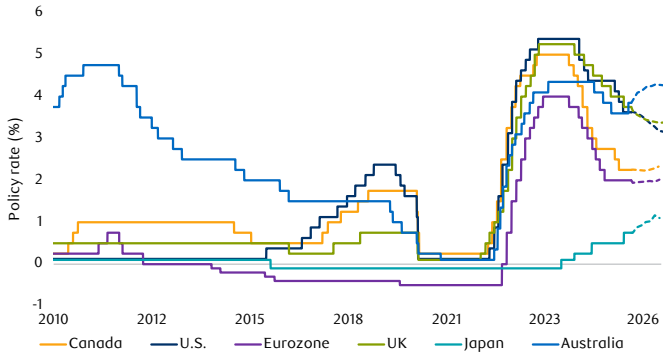


Exhibit 3: Past bear markets suggest further dollar downside



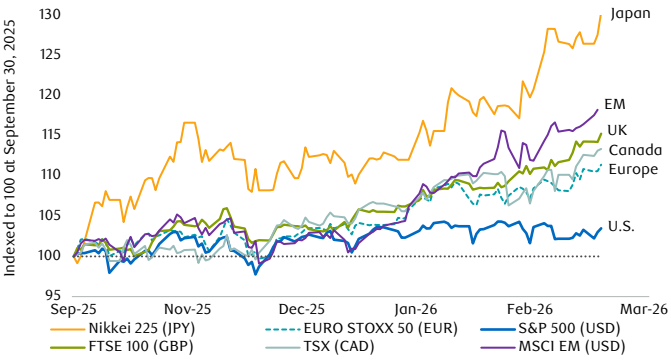
Note: As at February 22, 2026. Source: U.S. Federal Reserve, Bloomberg, RBC GAM

Exhibit 4: The Federal Reserve's cutting bias stands out against other developed-market central banks



Note: As at February 27, 2026. Source: Bloomberg, RBC GAM

Exhibit 5: U.S. stocks have lagged other markets



Note: As at February 25, 2026. Source: Bloomberg, RBC GAM

10% to 15% of U.S. equity indexes. The so-called "Magnificent Seven" stocks began to underperform in early February. Investors have also taken note of better prospects for equities in Europe and emerging markets given rising growth forecasts for those regions (Exhibit 6). Europe's increased defense spending arrives with full force this year, and an added boost will come from the rush to spend expiring post-pandemic emergency funds.

Cross-border capital flows suggest that American investors are joining their overseas counterparts in pulling back from the S&P 500 and reinvesting proceeds abroad. This behaviour is important because even a small allocation shift in the US$80 trillion estimated to be in U.S. portfolios (Exhibit 7) would be enough to move the needle on foreign equities and currencies. In fact, large capital shifts are likely to have big impacts on smaller and less liquid markets like Canada, Australia, Switzerland and much of the emerging-market world.

Geopolitics is a catalyst that could trigger more U.S.-dollar weakness

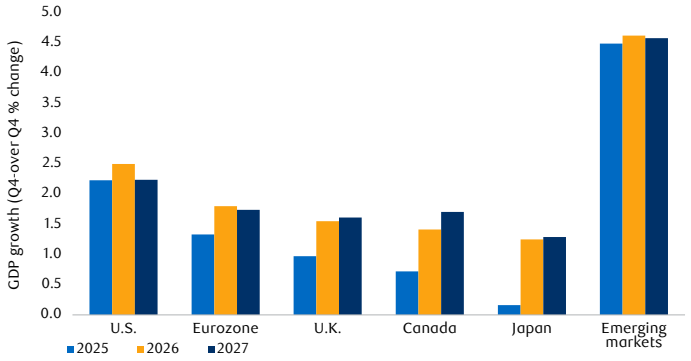
Trump's musings since last year about taking over Greenland provoked a decisive and united response from European nations, which have banded together in solidarity. Doubts over whether the U.S. will support fellow NATO members are likely to have far-reaching effects on economies, currencies and borrowing rates across the globe. The theme stretches far beyond the decisions of Finland, Sweden and Denmark to liquidate at least some of their U.S. Treasury holdings. The U.S. retrenchment from global institutions leaves a security and economic void that will require Europe to spend more on defense and perhaps hand China the chance to inherit greater global influence in areas where the U.S. is stepping away.

A credible threat of coordinated intervention has emerged

Importantly, a weaker U.S. dollar might well serve U.S. interests. Fed minutes released in February confirmed that the Treasury is considering joining Japan in selling U.S. dollars.

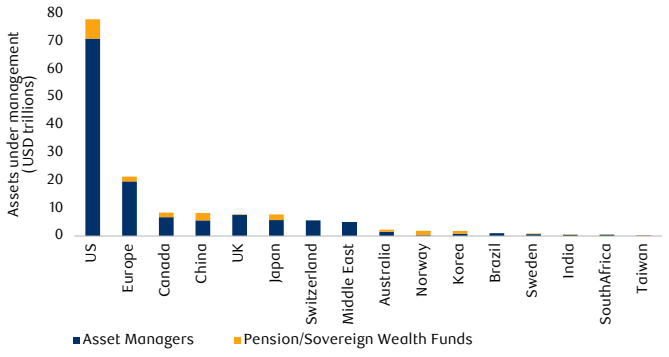
Officials at Japan's Ministry of Finance (MOF) have for months been expressing concern about U.S.-dollar strength, ratcheting up their warnings to market participants. Having been put on notice, investors are unlikely to be surprised if Japanese authorities decided to intervene in currency markets. What caught traders off guard were steps taken by the Fed's trading desk sending a message that the U.S. could join the intervention. We would note that Japan and the U.S. acting in tandem would have much bigger impact on currency movements than Japan acting alone.

Exhibit 6: Robust growth forecasted outside the U.S.



Note: As at February 6, 2026. RBC GAM Economic forecasts. EM includes Brazil, China, India, Mexico and Russia. Source: RBC GAM

Exhibit 7: U.S. portfolios dwarf those of other regions



Note: As at November 10, 2025. Source: Pensions & Investments, RBC Capital Markets

Signalling a preference for a weaker currency also hints that that the U.S. may be less committed to a decades-long policy of a strong dollar. Treasury Secretary Bessent's support for intervention might also be an attempt to head off Japanese intervention, since Japan is the largest foreign holder of U.S. government bonds (Exhibit 8), and significant sales of Treasuries would result in an economically damaging spike in U.S. bond yields.

The power of joint intervention, unseen since the Fukushima nuclear accident in 2011, would be such that its mere suggestion caused the yen to rally 4% over the span of just a few days – equal to the magnitude of past occasions when Japan intervened entirely on its own.

U.S.-dollar outlook

We expect a continued broad-based decline in the greenback. We have factored some modest gains for the euro, pound and Canadian dollar into our base-case expectations, with forecasts of US$1.26, US$1.40 and US$1.30, respectively. The Japanese yen is the major developed-market currency that could offer higher price returns, given its more extreme undervaluation, discount to traditional drivers (Exhibit 9) and the potential for currency intervention. The yen's yield disadvantage, however, will reduce its overall total returns.

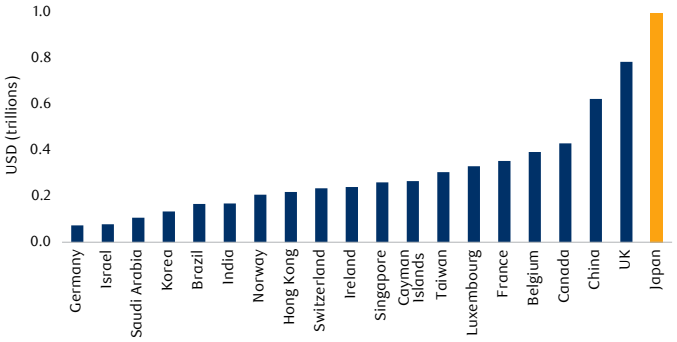
Emerging-market currencies to outperform

We expect emerging-market exchange rates to be the biggest beneficiaries of generalized U.S.-dollar weakness. These rates have lagged gains in the euro and other G10 currencies since early 2025 (Exhibit 10), and the undervaluation gap suggests that further gains lie ahead.

A weaker dollar is especially positive for emerging-market stocks, bonds and exchange rates. Many emerging market nations produce metals, oil and agricultural products, and surges in commodity prices are due in part to a reaction to a softer dollar. The focus has mostly centred on an appreciation in metals prices, but soybean, cattle and wheat have also risen over the past year. Countries whose economies are geared to agriculture and resource extraction – particularly Chile, Peru and Brazil - have enjoyed trade gains through rising export prices.

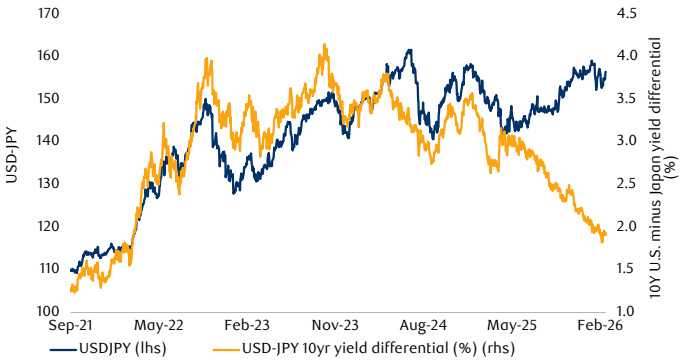
Before the current war in Iran, Asia's energy-importing economies had been benefiting from low and stable oil prices. That story is being put to the test following the escalation

Exhibit 8: Japan is the largest foreign holder of U.S. Treasuries



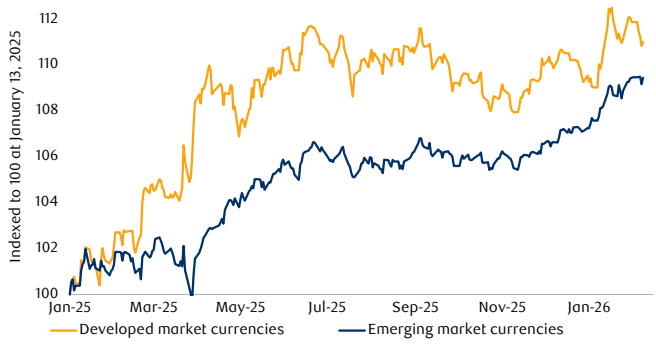
Note: As at December 31, 2025. Source: U.S. Department of Treasury, RBC GAM

Exhibit 9: The Japanese yen is trading weaker than yields differentials would imply



Note: As at February 25, 2026. Source: Bloomberg, RBC GAM

Exhibit 10: Emerging-market currencies have underperformed G10 peers over the past year



Note: As at February 22, 2026. Developed Market Currencies use US Fed Trade Weighted Nominal Advanced Foreign Economies Dollar Index and Emerging Market Currencies use US Fed Trade Weighted Nominal Emerging Market Economies Dollar Index Source: U.S. Federal Reserve, Bloomberg, RBC GAM

of the conflict. While the array of possible outcomes in the conflict has widened, our view is that only a prolonged war would keep oil prices elevated long enough to change the global growth outlook. Wild cards involve how long the Strait of Hormuz, a key oil chokepoint, will remain largely impassable, and the number of countries that get involved.

A second important effect of a weaker greenback is that it cheapens the cost of borrowing in U.S. dollars for developing countries. When the dollar depreciates, it becomes cheaper for these countries to repay U.S. dollar loans using their local currencies.

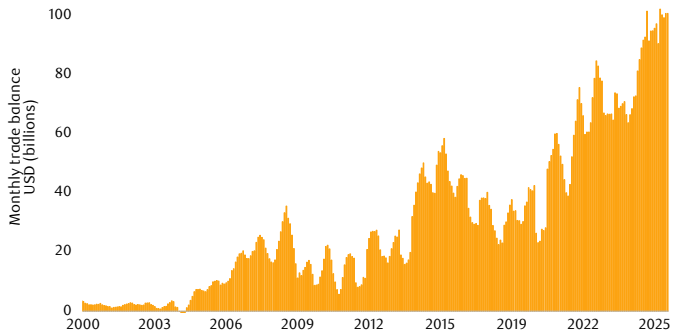
Third, an environment where the dollar declines is conducive to greater capital flows into emerging markets, as U.S. investors seek to buy assets in currencies that are more likely to appreciate. The effect is amplified by emerging-market central banks, which are lowering interest rates in support of economic growth. Interest rates can be dropped without creating investor unease because inflation has fallen more quickly than in developed markets – in part because recent currency gains improve household purchasing power and make imported goods less costly.

Also supporting emerging-market currencies are:

- Valuations, similar to most G10 exchange rates, as emerging-market currencies are significantly cheap.
- A political shift toward more investor-friendly governments.
- More responsible fiscal policy relative to developed-market borrowers, including recent improvement in notoriously spendthrift countries such as South Africa, Argentina and Turkey.
- Higher inflation-adjusted yields than those offered in developed market nations.
- The reduced ability of the U.S. to impose tariffs following the U.S. supreme court's decision to strike down Trump's use of emergency measures to justify the trade barriers.
- New trade deals, including the EU's recent pact with the South America's Mercosur bloc, that lessen the tariff burden and expand export markets.

The Chinese renminbi's appreciation is an additional support for emerging-market currencies. China's strong and growing trade surplus (Exhibit 11) suggests that the renminbi is cheap, and so its rise makes sense. The People's Bank of China (PBOC) has allowed the currency to strengthen in a near-linear path since Trump announced his sweeping plan to boost U.S. tariffs in April 2025 (Exhibit 12). It remains unclear, however, whether China's leaders are allowing renminbi appreciation because of a back-door deal with the Americans, or whether they are motivated by a long-term goal of positioning the renminbi as a reserve currency. In any case, the steady path of managed appreciation and the scope for greater repatriation of U.S.-dollar balances to the Chinese banking system suggest to us that further gains lie ahead for the renminbi, and by extension, for emerging-market currencies.

Exhibit 11: China's trade surplus continues to grow



Note: As at December 30, 2025. Smoothed using a 6- month moving average.
Source: China General Administration of Customs, RBC GAM

Exhibit 12: The renminbi has strengthened since April 2025



Note: As at March 2, 2026. Source: Bloomberg, RBC GAM

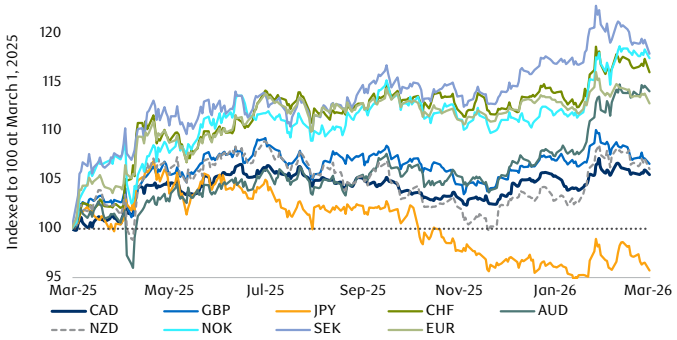
Canadian dollar underperformance could reverse in late 2026

The Canadian dollar has managed to rise against the U.S. dollar over the past 12 months, largely owing to broad U.S.-dollar weakness. The loonie has, however, been a persistent laggard among G10 nations the past year, outdone only by weakness in the Japanese yen (Exhibit 13). In our view, the Canadian dollar's underperformance stems from concerns about a renewal of the U.S.-Mexico-Canada (USMCA) agreement, soft consumer demand and less attractive yields than other G10 currencies. All three of these concerns are likely to persist, at least for the first half of 2026, and so we expect further underperformance in the loonie over the near term. Our outlook is, however, for the loonie to begin outperforming once these negatives start to recede sometime in late 2026.

Canadian export growth has seriously lagged that of other emerging- and developed-market economies (Exhibit 14), which shouldn't be surprising given that the country's largest trading partner, the U.S., is focused on domestic re-industrialization and improving competitiveness through tariffs. Uncertainty ahead of USMCA negotiations is likely to limit the Canadian dollar's performance in the first half of 2026.

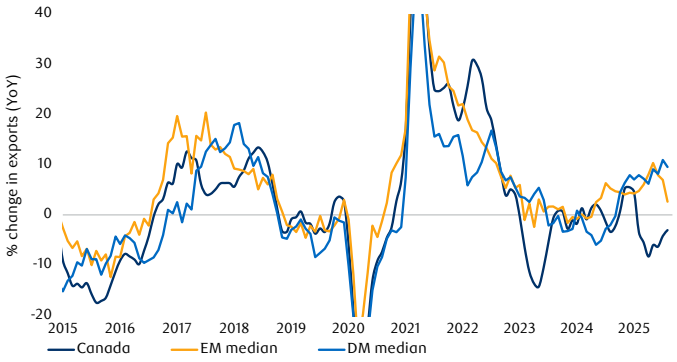
Soft household spending is one reason why RBC GAM's economics team has dropped its forecasts for Canadian growth, while raising them elsewhere (Exhibit 15). Canadian finances are stretched just as population growth slows, meaning lower overall demand for household items and greater demand for less expensive goods and services. Household indebtedness is an area of focus this year given that an estimated 20% of fixed-rate mortgages are due to be reset at higher interest rates at the same time that the unemployment rate is rising the fastest among G10 economies. A recent survey by the BOC flags a rising number of households worried about the prospect of missed debt payments and job losses (Exhibit 16). It is unlikely that government spending would offset lower consumer spending given Prime Minister Carney's focus on interprovincial trade and public-private partnerships rather than social spending. With a weaker outlook for exports and consumption, the onus falls on business investment to carry the economy.

Exhibit 13: Canadian dollar has lagged most developed-market currencies over the past year



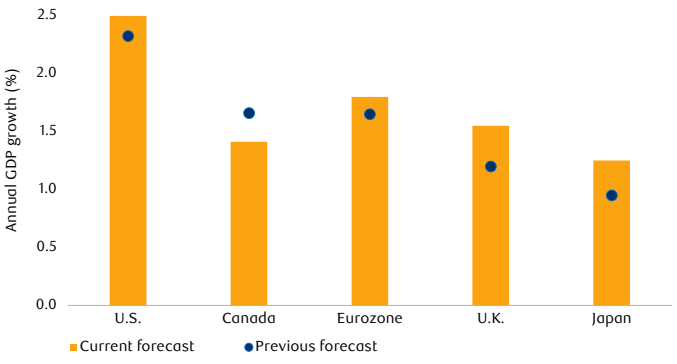
Note: As at March 2, 2026. Source: Macrobond, RBC GAM

Exhibit 14: Weak Canadian export performance



Note: As at October 31 2025. Smoothed using 3-month moving average.
Source: Deutsche Bank, IMF, RBC GAM

Exhibit 15: Canadian growth forecast downgraded

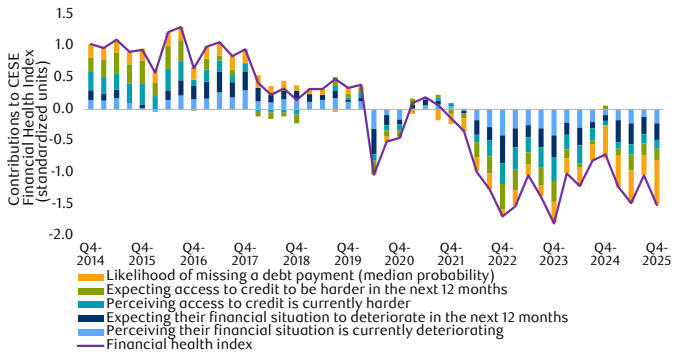


Note: As at January 30, 2026. Source: RBC GAM

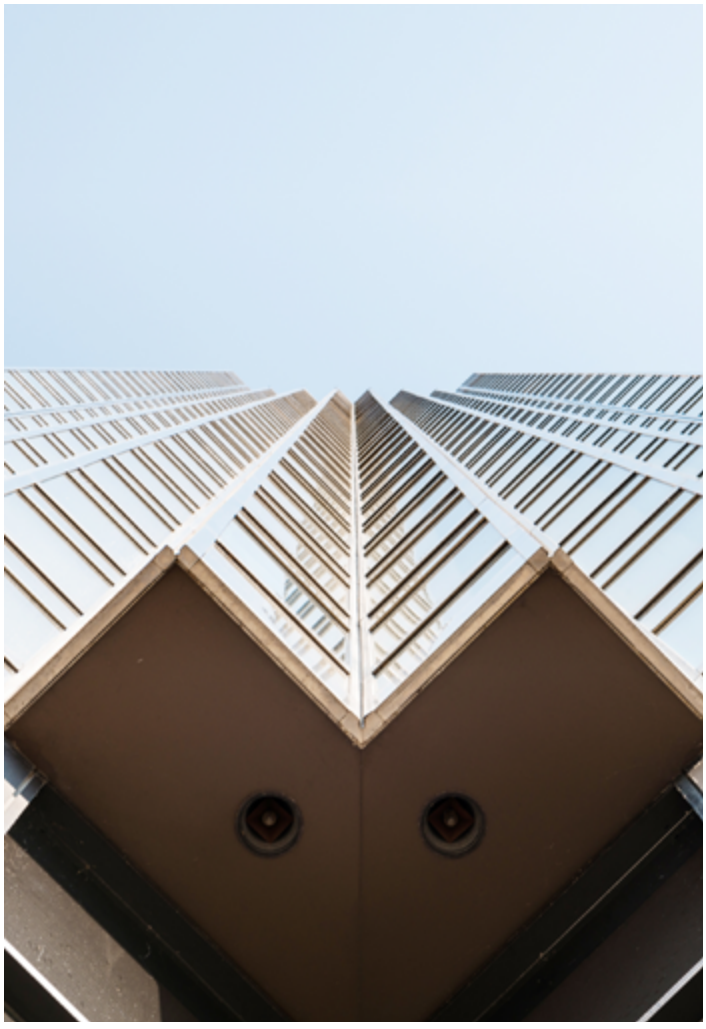
Canada's lower interest rates are also a short-term burden for the currency, as domestic investors look abroad in search of higher returns. The silver lining is that rates are low due to the BOC's aggressive interest-rate cuts, which started in mid-2024. Since then, the Canadian central bank has delivered 2.75 percentage points of reductions, in contrast to 1.75 points for the Fed, 1.50 points for the Bank of England; and 2.00 points for the ECB. This stimulus should help ease the cost of refinancing debt and encourage business spending. In this environment of low interest rates, we note that the real-time measures of prices for goods and services are rising faster than suggested by official inflation statistics. If the economy can manage to deliver a bit more growth than the BOC's 1.2% forecast for 2026, it is possible that the central bank's next move could be an unexpected, loonie-supporting rate hike.

While we expect that the Canadian dollar will appreciate this year versus the U.S. dollar, pushed stronger by the force of a broadly weaker greenback, we fear that the loonie will fall versus other major currencies for the next several months. Many of the loonie's challenges are shorter term in nature, and we would not be surprised if the Canadian dollar picked up momentum later this year. A stronger loonie would depend on a clearer path toward finalizing a North American trade agreement, a relatively low number of mortgage defaults as Canadians refinance mortgages at higher rates, and investor optimism that the BOC will pivot to rate hikes. Given the prospect for some of these improvements to materialize later this year, we are revising our 12-month forecast for the Canadian dollar to $1.30 per U.S. dollar from $1.32 last quarter.

Exhibit 16: Canadians are growing more concerned about missing debt payments



Note: As at December 30, 2025. Source: Bank of Canada, RBC GAM





Regional outlook – United States



Shanthu David, CFA
Senior Portfolio Manager
RBC Global Asset Management Inc.

U.S. equities, as measured by the S&P 500 Index, rose 0.7% over the three months ended February 28, 2026. For 2025 as a whole, U.S. stocks climbed 17.9%, overcoming the negative impact of higher U.S. tariffs on the economy.

As we entered 2026, the hope was that the year would be less chaotic than 2025. That has not the been the case. President Trump threatened to "acquire" Greenland; the U.S. captured Venezuela's president and charged him with cocaine trafficking; the U.S. Supreme Court struck down Trump's tariffs; and the U.S. and Israel jointly bombed Iran and killed its leader. Rightly or wrongly, financial markets have become somewhat accustomed to the volatile nature of pronouncements emanating from the Trump administration and remain near all-time highs amid strong corporate earnings and forecasts for continued profit growth in 2026.

Numerous articles argued in late 2025 that stocks linked to artificial intelligence (AI) have risen way more than they should have – that we are in an AI bubble. Investors, however, are more sanguine in the early months of 2026, with estimates of capital expenditures on AI having soared to US$660 billion – a 60% increase from 2025. We expect the positive impact of AI adoption to accelerate in 2026. In December 2025, about 15% of companies in the S&P 500 were specifying the opportunities linked to AI investment, and we expect this percentage to climb significantly over the next 12 to 24 months.

The second notable theme of early 2026 is the threat that AI poses to businesses that may be vulnerable to tools created using AI, and software companies in particular. Fears of widespread AI disruption have also affected media, business services and pockets of the Financials sector. A group of software stocks sold off by 23% over a six-week period at the start of 2026 on concerns centred on whether AI could hurt software-company revenue growth and profit margins, and ultimately impair long-term value. Many software companies continue to report solid results and issue optimistic outlooks for 2026, and the materialization of concerns about AI disruption may, in fact, be years away. But such concerns are difficult to dismiss entirely. We believe some areas of the software industry are positioned to benefit from AI adoption, and that their attractive valuations, due to broad weakness, offer investment opportunities. Still, it will take time for the winners and losers to become clearer, and a period of stability will likely be needed before confidence improves.

While stocks have been relatively flat over the past three months, there has been a lot of volatility beneath the surface. Returns have been strongest in the Energy, Materials and Industrials sectors, which are highly exposed to economic growth, and defensive areas such as Consumer Staples and Utilities. Over the first six weeks of 2026, these areas of the market have outperformed the Information Technology sector, which is dominated by mega-cap tech companies.

United States – Recommended sector weights

	S&P 500	
Energy	3.5%	0.3%
Materials	2.1%	0.3%
Industrials	9.3%	0.3%
Consumer discretionary	9.8%	0.0%
Consumer staples	5.4%	0.0%
Health care	9.7%	0.0%
Financials	12.5%	0.0%
Information technology	32.7%	-0.8%
Communication services	10.5%	0.0%
Utilities	2.5%	0.3%
Real estate	2.0%	-0.3%

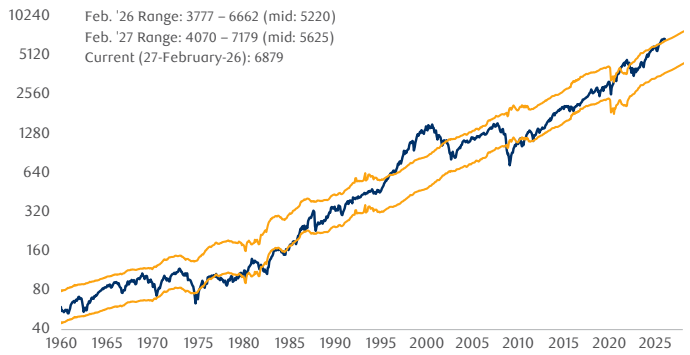


Note: As of February 28, 2026. Source: RBC GAM

> "Looking out to the rest of 2026, we are somewhat optimistic about U.S. earnings growth..."

S&P 500 Equilibrium

Normalized earnings and valuations



Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index.
Source: RBC GAM

Aggregate S&P 500 earnings rose 12.6% in the fourth quarter on revenue growth of about 9% in what was another strong period for top-line growth. Earnings exceeded expectations, with about two-thirds of companies beating consensus estimates and doing so by an average of almost 5%, down from almost 10% last quarter.

As has been the case for a number of recent quarters, earnings growth was led by a group of mega-cap technology companies including Nvidia, Apple Inc. and Microsoft, whose overall profits rose 29% supported by 20% revenue growth. These mega-cap businesses continue to deliver significant growth even with immense existing bases of sales and earnings. Earnings-per-share growth for the Materials sector was up almost 15%, while profits for the Industrials sector excluding the outsized impact of Uber climbed 13%.

Earnings per share in less cyclical sectors such as Health Care and Consumer Staples were up 1.0% and 3.0%, respectively, significantly below the market average while Utilities and REITs profits rose 3.0% and 1.2%, respectively. Earnings in the Consumer Discretionary sector excluding Amazon decreased by 3.2% as the group was hit by narrowing profit margins that more than offset a slight increase in revenues. The consensus forecast for S&P 500 earnings growth in 2026 is 14.6%, which is basically unchanged over the past three months.

Looking out to the rest of 2026, we are somewhat optimistic about U.S. earnings growth given the profit tailwind of enormous AI capital spending, expectations of AI productivity gains, lower interest rates, and stimulus from tax cuts for both consumers and businesses.



Regional outlook – Canada



Sean McCurley, CFA
Senior Portfolio Manager,
North American Equities
RBC Global Asset Management Inc.

The S&P/TSX Composite Index (S&P/TSX) rose 10.1% in the three months ended February 28, 2026. In U.S.-dollar terms, the S&P/TSX gained 12.7%, compared with an almost flat S&P 500 Index and a 3.8% increase in the MSCI World Index. The Canadian stock index outperformed many of its global peers, as strength in banks, gold mining and energy offset a sluggish domestic economy. For Canadian equity markets the start of 2026 was volatile, particularly with respect to areas that dominated market activity: gold and artificial intelligence.

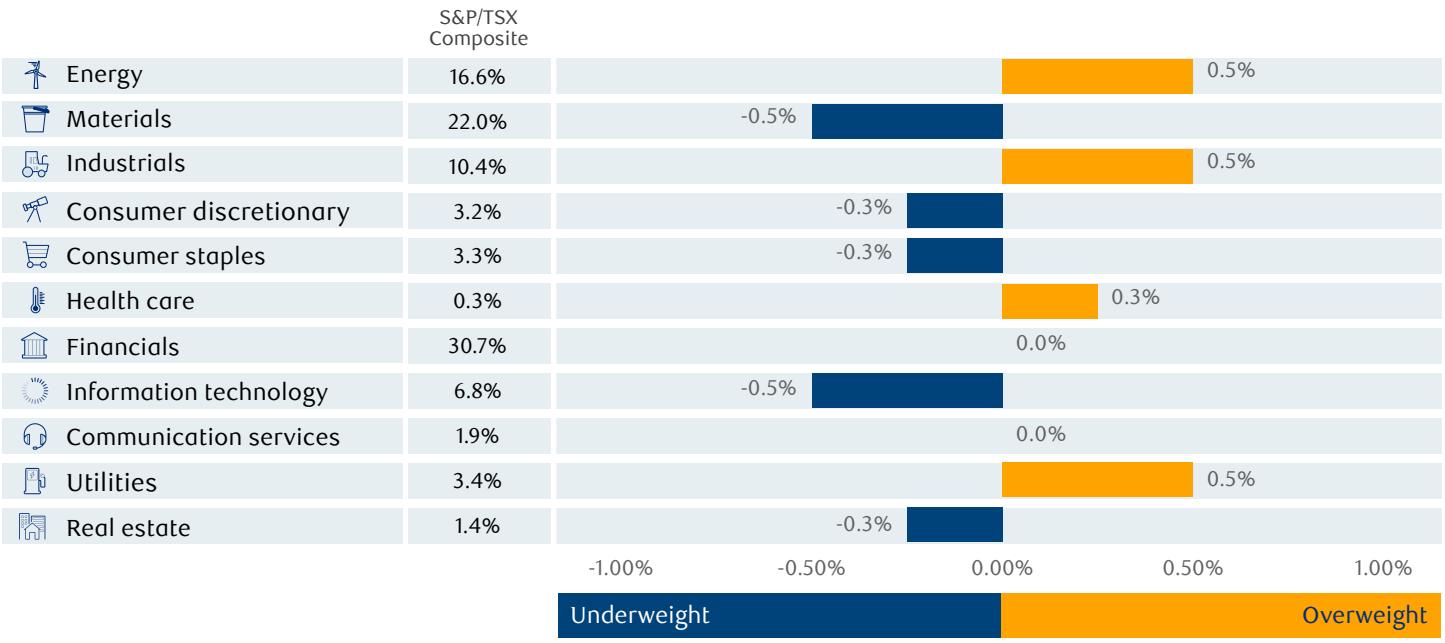
In our New Year outlook, we happily noted Prime Minister Mark Carney's more business-friendly approach, and Carney's handling of the economy has been reflected on the international stage. In January, Carney spoke in Davos, Switzerland, about a "rupture" in the world order and the need for Canada to diversify its economy and become less reliant on the U.S. We continue to monitor how this stance will impact the relationship between Canada and the U.S., and especially as the Canada-U.S.-Mexico Agreement (CUSMA) renegotiation gets underway. The joint review is scheduled for July 1 of this year.

Carney also spoke in Davos about a greater focus on "risk management," as countries move to build resilience. Risk management can include securing access to energy and raw materials. As a resource-rich nation, Canada (and our equity market) should benefit if countries move to invest in ways that protect against dependence on any one source for raw materials, defence and supply chains.

Canadian spending on defence and "nation-building" projects is an important driver of economic activity. Expenditures in these areas could lead to strong demand for S&P/TSX-listed Canadian companies that would benefit from Carney's view that domestic procurement should make up a bigger portion of defence spending. A boost in domestically sourced defence spending would likely create opportunities for CAE, which makes simulated cockpits used to train pilots, and MDA Space, whose products include satellite systems.

The price of an ounce of gold started 2026 at about US$4,300 an ounce and by the end of January had soared more than 25% to the US$5,500 level. Gold's continued rally drove a similarly aggressive move in the shares of many gold producers and was responsible for much of the rise in the S&P/TSX through mid-January. The gold price started to retreat as January ended and fell back well below the US$5,000 mark before stabilizing. Silver, whose recent gains had exceeded gold's, plunged 45% in a matter of days. The declines in gold and silver were attributed to Trump naming Kevin Warsh as head of the U.S. Federal Reserve, but it seems likely that the sharp moves were due to profit-taking following the significant rally.

Canada – Recommended sector weights

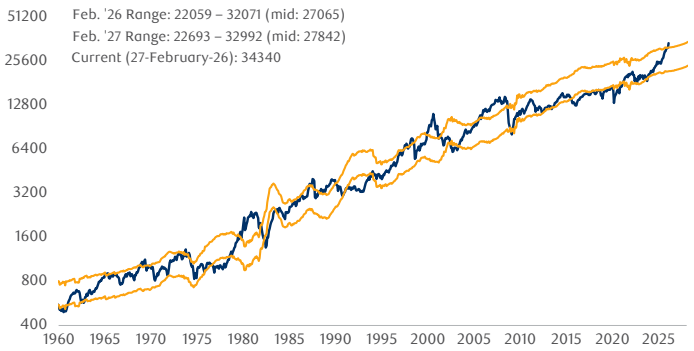


Note: As of February 28, 2026. Source: RBC GAM

> "In U.S.-dollar terms, the S&P/TSX gained 12.7%, compared with an almost flat S&P 500 Index and a 3.8% increase in the MSCI World Index."

S&P/TSX Composite Equilibrium

Normalized earnings and valuations



Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index. Source: RBC GAM

Predicting the price of gold with precision is impossible, but we note that prior surges have been followed by major pullbacks. For example, gold nearly doubled from 2006 to 2008, followed by a 30% drop during the financial crisis before more than doubling again by 2011. This time around, the conditions that have sent gold significantly higher – geopolitical uncertainty and a diversification away from Treasuries by central banks – continue to persist. Gold rallies tend to end when the geopolitical and/or economic uncertainty eases, and when real interest rates and the U.S. dollar rise. For now, that is not the case, and the importance of gold and metal prices to the S&P/TSX's overall performance is likely to increase. The Materials sector's share of the S&P/TSX rose to 20% of the index at the end of the three-month period from 11.5% at the beginning of 2025.

The second theme that continues to impact the S&P/TSX is the potential for AI to disrupt the way businesses operate. The risk that AI will allow companies to quickly and cheaply develop tools that displace software has captured the imagination of investors, with the implication that the earnings and even viability of software providers are under threat. Constellation Software and Thomson Reuters have lost more than half their value over the past 12 months, and Canadian technology stocks have declined 20% in the past three months. Meanwhile, analysts' earnings expectations have hardly budged. For now, the share-price collapse is attributed to a drop in valuations, and there are signs that the same fears are spreading to other areas of the market, including engineering-services companies such as WSP and Stantec.

The idea that companies will readily swap out their current software for new and untested AI-generated substitutes is doubtful, in our view. In general, changes to business models or customer behaviour take time, so even if software companies are soon to be obsolescent, it could take years or even decades to unfold. On the other hand, with the capabilities of AI rapidly improving, it is hard to have confidence in the durability of software-company earnings. For now, we are paying attention to valuations, with both Constellation and Thomson Reuters trading at far lower earnings multiples than historical levels.

We have moderately positive expectations for the Financials sector, which is dominated by Canada's big banks, and other areas of the market, which should provide support for the index in 2026. The banks are trading above their average price-to-earnings multiples, but at a discount to U.S. peers, and they are benefiting from higher returns on equity. The Energy sector moved higher after the U.S. and Israel bombed Iran in late February. Canadian producers were already earning good profit margins on production that was increasing modestly.



Regional outlook – Europe



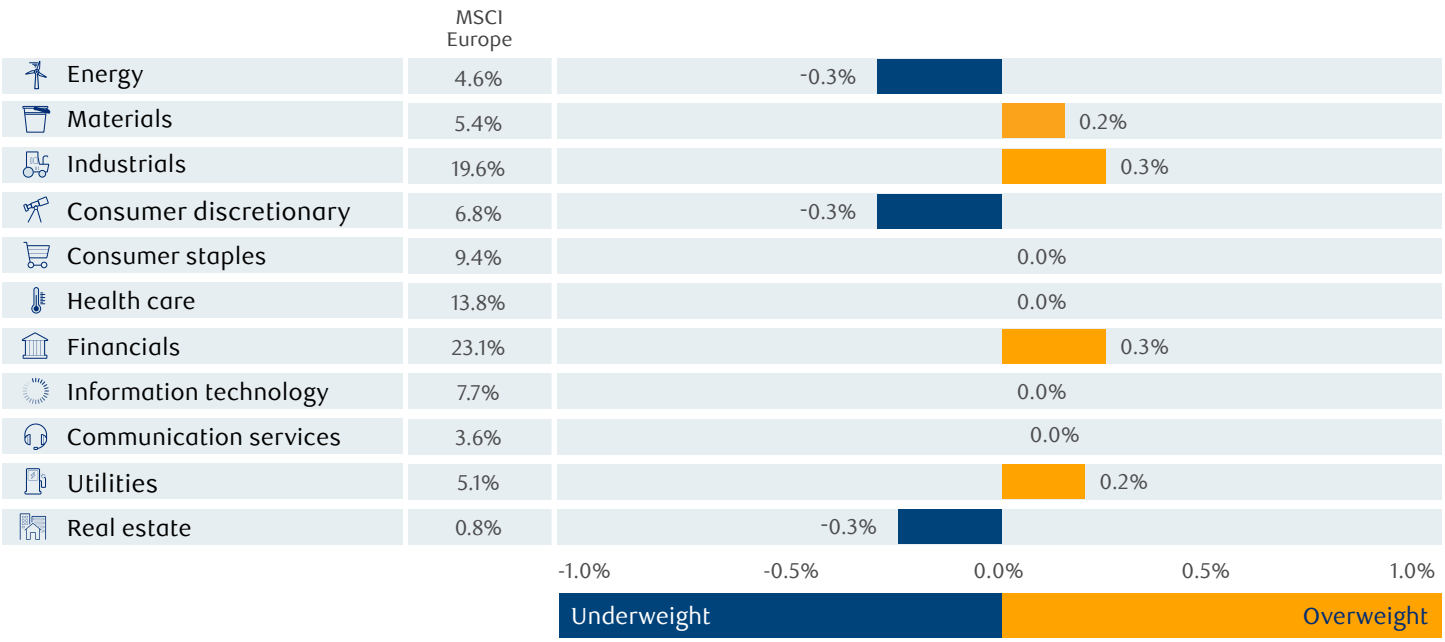
Siddhi Purohit
Portfolio Manager
RBC Global Asset Management (UK) Limited

European stocks had a strong year in 2025, surging 19.4% – and 35.4% if measured in U.S. dollars. The rally, however, was based almost entirely on investor optimism rather than company profit growth. As a result, valuations have risen above their long-term averages, and European companies are no longer a bargain: they will have to deliver significant earnings growth if they are to justify current valuations. We remain optimistic about the outlook for European equities given increased government spending in Germany and lower interest rates across Europe. However, there are real risks to the outlook. If company earnings disappoint significantly, stock prices are likely to drop.

The eurozone economy is entering a new and healthier phase. For years, European companies relied on selling goods to other countries but are now deriving more of their revenue from spending by Europeans. Economic growth ended 2025 at roughly 1%, which was slightly weaker than we had hoped, but recent economic signals suggest that weakness was temporary rather than a sign of economic deterioration. Two major tailwinds are building. First, banks are lending more. Loans to businesses and consumers reached 2.3% of the overall economy in November 2025, double 0.8% a year earlier, as Europe's central bank cut interest rates aggressively. Second, governments across Europe are spending more. Italy and Spain are accelerating investments via an EU economic-recovery program, and Germany is focusing new expenditures on areas such as defence. At the same time, wages are rising faster than inflation, which means people have more purchasing power. Companies are also investing heavily in green technology, artificial intelligence and digital upgrades. All of this creates a supportive backdrop for company profits.

Germany deserves special attention in our analysis. Recent data belies the scepticism of investors who doubted the commitment of a German government long reluctant to turn on the spending taps. Factory orders jumped 5.6% in November when economists expected them to fall, and investment in capital goods – machinery, equipment and infrastructure – jumped 13% over two months. Meanwhile, construction and engineering activity reached its highest level in 14 years. This data shows that government money is finally flowing into real economic activity. Germany has approved an additional 40 billion euros for military equipment and another 30 billion euros to encourage private-sector investment. After three years of virtual economic stagnation, Germany is positioned for real recovery. Growth is expected to accelerate to 1.3% in 2026, the fastest pace in seven years, and defence spending and infrastructure investment provide solid support for business performance over the next decade. Large German companies have pledged to invest 735 billion euros, and the government is providing tax cuts and other incentives to encourage spending.

Europe – Recommended sector weights

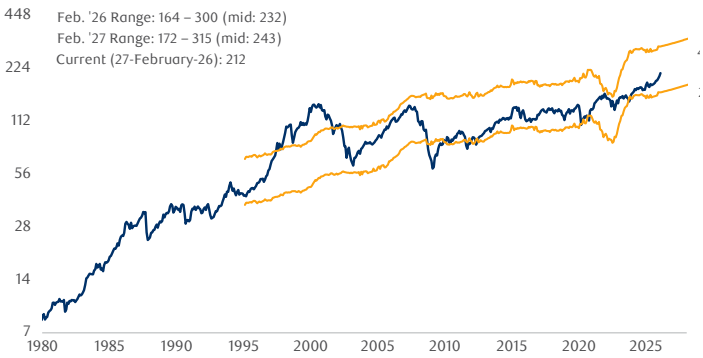


Note: As of February 28, 2026. Source: RBC GAM

> "We expect company profits to grow substantially in 2026, driven by the strengthening economy and government support."

MSCI Europe Index Equilibrium

Normalized earnings and valuations



Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index.
Source: RBC GAM

More broadly, U.S. tariffs introduced in 2025 had less impact on the European economy than had been feared as European companies were able to raise consumer prices or find alternative suppliers. Tariff risks are now concentrated in specific industries rather than broad-based, with roughly 2.2% of European-company revenue facing direct tariff exposure. If tariffs remain around 10%, company profit growth would decline by about 1 percentage point, which is manageable. However, if tariffs escalate to 25%, the impact would be roughly 2.4 percentage points of profit decline, which matters more. On the positive side, a new trade deal between the EU and India could help offset some tariff damage by opening new export markets for European manufacturers, particularly in autos, machinery and aerospace.

We expect company profits to grow substantially in 2026, driven by the strengthening economy and government support. Consensus expectations point to 12% overall profit growth across European stocks, with the average company expected to increase profits by 10%. This growth is supported by easy comparisons with 2025, when profits were essentially flat, plus the reversal of headwinds from currency and tariff issues. Companies benefiting from economic recovery – cyclical businesses like banks, industrials, and materials companies – are expected to grow profits at rates that significantly outpace defensive sectors like Utilities and Consumer Staples. The important wildcard is currency movements: the stronger euro is already denting profits. But further appreciation could reduce European profit growth as much as 2 percentage points because many European companies earn money in U.S. dollars. Our outlook assumes the euro stays relatively stable.

From a valuation perspective, European stocks are fairly priced. They trade at about 15.4 times forward earnings, which, while above their long-term average, is still reasonable. Expectations for European profit growth of 12% is now much closer to the estimates for U.S. earnings growth of 15%, a shift that improves the relative attractiveness of European equities. Even after recent price increases, European stocks remain significantly cheaper than U.S. stocks if earnings come through as currently forecast. Government investment in defense and infrastructure should provide a durable foundation for earnings, which could support valuations over the long term. Our base case assumes that valuations will stay where they are, with returns coming from profit growth.

We recommend a portfolio tilt toward sectors benefiting from government spending and domestic growth, with a focus on the Financials, Industrials, Materials, Health Care and Utilities sectors. We have less exposure to consumer stocks, energy, real estate and communications companies. Germany, in our view, offers the best investment opportunity given its accelerating growth, while France looks less attractive due to political uncertainty. Key risks to monitor include further tariff escalation; a stronger euro; the potential for delays in defense spending; and geopolitical tensions that could disrupt growth. Overall, European stocks offer reasonable value supported by improving company profit prospects – but this opportunity requires earnings to materialize over the next 12 months.



Regional outlook – Asia



Chris Lai
Portfolio Manager
RBC Global Asset Management (Asia) Limited

Asian equities had attractive returns over the three-month period, outperforming many equity markets. Within Asia, South Korea, Taiwan and Japan outperformed, while Indonesia and India underperformed.

The South Korean and Taiwanese stock markets have been boosted by soaring demand for the memory chips used to power artificial intelligence. Taiwan's shipments have been bolstered by a U.S. trade pact that lowered tariffs on Taiwanese goods to 15% in exchange for semiconductor investment. Japanese stock markets have performed well since the election of the Takaichi administration last October, as her administration has undertaken significant economic stimulus. The Indonesian stock market weakened as Moody's downgraded the country's debt and MSCI, which maintains equity benchmarks, said it may remove Indonesia from its emerging-market index.

The Indian stock market remained weak over the three-month period due to a combination of disappointing corporate earnings and global trade uncertainties.

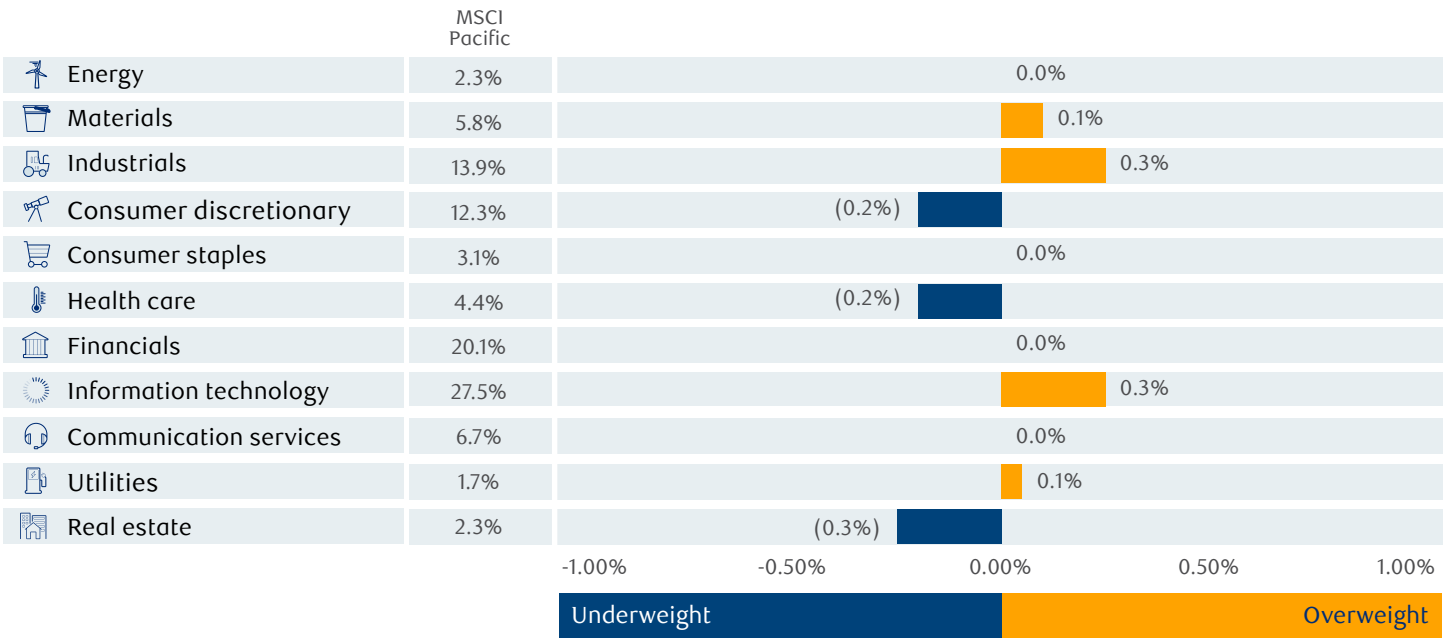
The economic outlook for Asia over the next 12 months is characterized by a "North-South divide," where technology-driven economies in North Asia outperform while emerging markets in Southeast Asia face domestic challenges. Central banks across Asia are shifting from a synchronized easing cycle toward paths based on their specific growth and inflation profiles. The Philippines, Thailand and Indonesia are expected to cut rates to shore up consumer demand. We expect a pause in policy rates in South Korea, Taiwan and India, but expect Japan to continue raising rates.

Japan

The Japanese economy is transitioning to a state of higher interest rates and even greater fiscal spending. While the Bank of Japan (BOJ) is slowly raising rates, Takaichi is pursuing fiscal policies that includes lowering consumption taxes. The Japanese economy has shown resilience, and Takaichi's LDP party won more than two-thirds of seats in the country's parliament in February elections, providing political stability.

The BOJ recently raised its GDP forecast for the current fiscal year to 1.0%, reflecting the impact of government stimulus. Growth is expected to be driven by private consumption, capital expenditures and strong corporate earnings. JPMorgan expects 2026 EPS growth of 11%, supported by solid corporate earnings. A "virtuous cycle" between wages and prices remains a central theme for sustainable growth. The BOJ views 3% wage growth as the benchmark for maintaining a 2% inflation target . The rise in consumer prices excluding fresh food is projected by the BOJ to be 1.9% in in fiscal 2026 and 2.0% in fiscal 2027. Expectations are that the BOJ will gradually hike its benchmark interest rate to 1.75% by 2027 from the current 0.75%.

Asia – Recommended sector weights

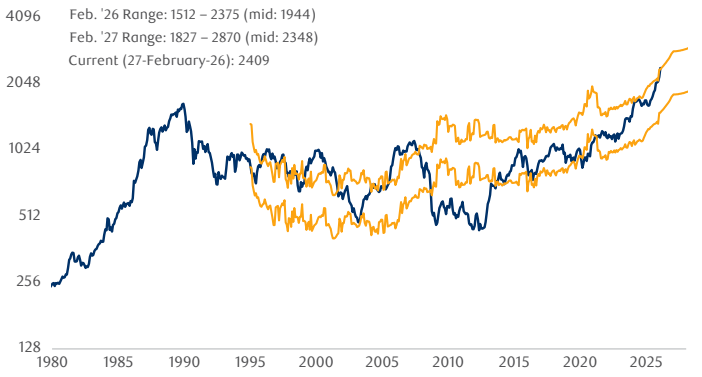


Note: As of February 28, 2026. Source: RBC GAM

> "Asian equities had attractive returns over the three-month period, outperforming many equity markets."

MSCI Japan Index Equilibrium

Normalized earnings and valuations



Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index. Source: RBC GAM

Asia Pacific excluding Japan

China's economy has divided between a booming technology economy with robust exports and another beset by retail sluggishness and weak consumer confidence. Economic forecasts for 2026 GDP are at 4.7%, down from the around 5.0% in 2025, as policymakers balance structural reforms with the need for social stability. China posted a record US$1.2 trillion trade surplus in 2025 by diversifying exports to other Asian countries and Europe, offsetting the impact of U.S. tariffs. The government's ultimate goal is to steer the economy toward technological innovation, AI infrastructure and "green" manufacturing in an effort to replace property-reliant growth. The property market remains a primary headwind, with sales of land and new homes staying below historical levels.

The Chinese government has committed to policy measures that could include roughly 1 trillion renminbi ($199 billion) in extra fiscal stimulus if domestic demand weakens. Chinese stimulus is likely to include rate cuts to combat persistent deflationary pressures.

India's economy continues to expand and remains among the fastest-growing major economies. The primary engine of India's growth is domestic demand, which accounts for about 70% of economic activity. Private consumption has been driven by a significant rebound in rural areas, supported by favourable monsoon conditions, improved agricultural production and government welfare spending. In urban areas, consumption is being bolstered by income-tax relief. The government presented a pro-growth budget for the 2027 fiscal year, highlighted by continued government spending focused on capital expenditures. The government has announced a flurry of reforms, including an easing of labour-market regulations, reforms to insurance and nuclear-power industries. Meanwhile, the government has secured trade deals with the U.S., the EU, the UK, New Zealand and Oman.

Australia's economy is recovering from a period of slower growth, and a surprisingly resilient labour market and renewed inflationary pressures have made it more likely that the central bank will have to raise interest rates. Economic activity is gradually returning to trend, and growth in fiscal 2026 is forecast at 2.3%. The recovery is being supported by household consumption and home sales. The labour market remains a pillar of economic resilience with the unemployment rate forecast to fall through 2026 from its 2025 peak of 4.4%. Inflation rose to near 4% earlier this year, prompting a rate hike by the central bank and raising the possibility of another increase this coming May.



Regional outlook – Emerging markets



Guido Giammattei
Portfolio Manager
RBC Global Asset Management (UK) Limited

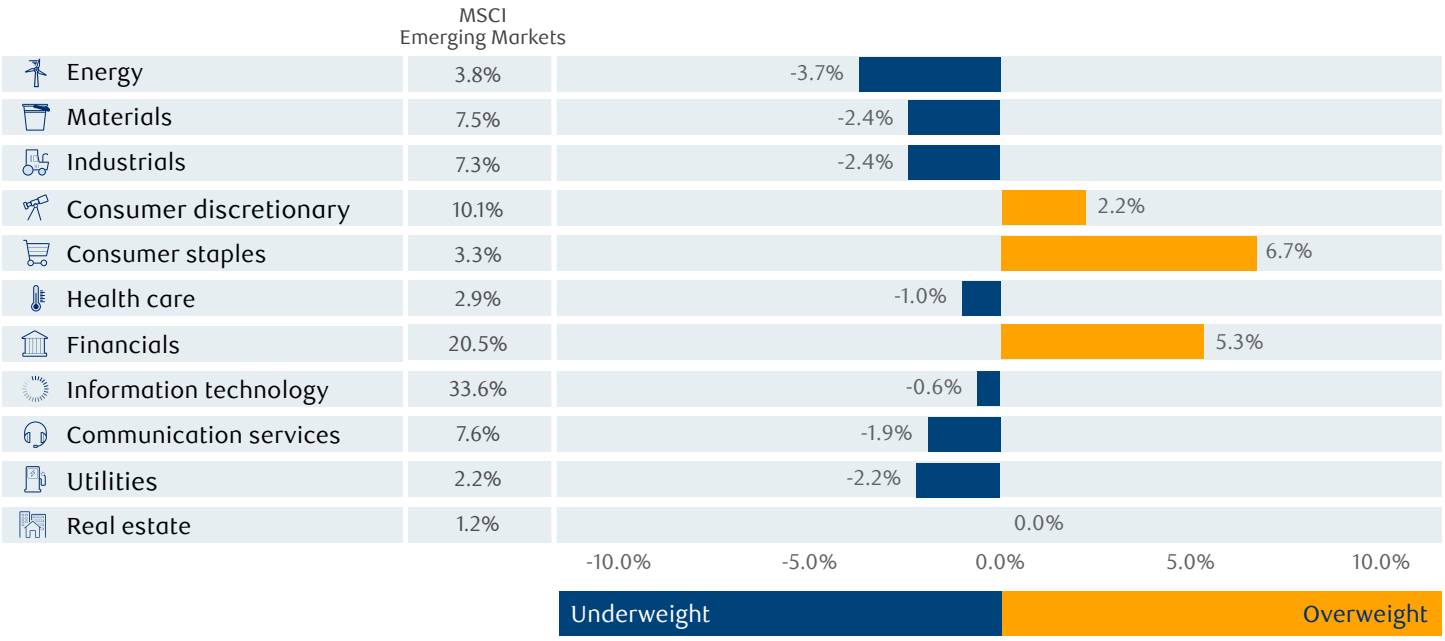
Emerging-market equities delivered strong returns in 2025, outperforming both developed markets and U.S. equities by a significant margin. While notable, this strength should be viewed against the backdrop of nearly 15 years of relative underperformance. Historically, emerging-market returns have unfolded in long, powerful cycles rather than short bursts, suggesting that if a structural shift is underway, recent gains may represent an early phase of gains rather than their culmination.

In previous periods of outperformance, notably in 2010 and 2016, emerging-market equities failed to sustain their momentum, raising the question of whether current conditions differ sufficiently to support a more durable cycle. Several factors suggest that this time may indeed be different, including stronger absolute and relative earnings growth; a weaker U.S. dollar; increased investor comfort with exposure to emerging markets after a period of prolonged under-allocation; reform progress across major emerging markets; and valuations that remain attractive relative to developed markets.

These supportive drivers coexist with risks, including geopolitical tensions, domestic political uncertainty in some countries, a potential slowdown in artificial-intelligence (AI)-related capital expenditures and the possibility that resilient U.S. growth re-energizes the dollar and delays global monetary easing.

The most compelling pillar of the emerging-market investment case is the shift in earnings growth. After more than a decade of subdued expansion, corporate earnings in emerging markets are expected to grow about 20% in 2026, making emerging-market stocks the fastest-growing major area for equities for a second consecutive year and marking a clear break from the low growth of the previous cycle. Technology, mining and improving domestic demand have been the primary contributors. Within technology, Taiwan and South Korea remain powerful drivers, as companies in these countries produce critical semiconductors and electrical components for the AI supply chain. Emerging markets therefore provide broad exposure to the infrastructure layer of AI, benefiting from rising capital expenditure by technology firms regardless of which platforms ultimately win out. AI-related activities are expected to account for a substantial share of revenues and an even larger share of profits, providing a durable engine of earnings growth.

Emerging markets – Recommended sector weights

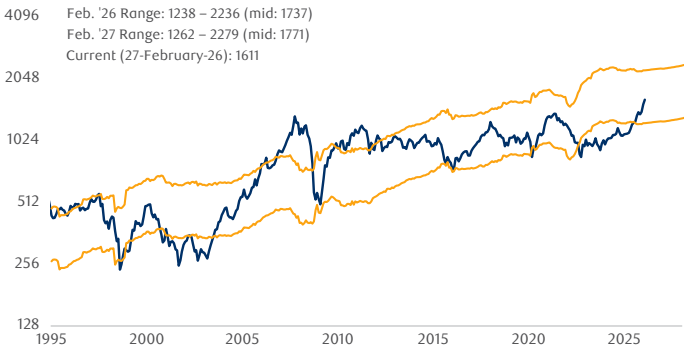


Note: As of February 28, 2026. Source: RBC GAM

Currency dynamics provide another important tailwind. A weaker U.S. dollar has historically been associated with stronger performance in emerging markets. Many emerging-market economies carry significant dollar-denominated debt, so dollar depreciation eases financial conditions, reduces inflationary pressures and allows central banks greater scope to lower interest rates. Emerging-market indexes are also more weighted toward commodities such as precious metals and copper, which tend to benefit from dollar weakness. Several structural factors suggest the dollar may remain under pressure, including expectations of monetary easing, relatively strong growth outside the U.S. and persistent U.S. fiscal deficits. Currency cycles typically last many years, and the previous dollar bull market was unusually long, so a sustained fall in the dollar could lift emerging-market assets for an extended period. The dollar also appears expensive based on purchasing power relative to many emerging-market currencies, implying scope for currency appreciation in emerging markets.

MSCI Emerging Markets Index Equilibrium

Normalized earnings and valuations



Note: The fair value estimates are for illustrative purposes only. Corrections are always a possibility and valuations will not limit the risk of damage from systemic shocks. It is not possible to invest directly in an unmanaged index. Source: RBC GAM

Positioning further reinforces the outlook as years of lagging returns mean that investors remain underweight emerging markets. Historically, asset allocators do not immediately reverse such positioning when performance improves: early gains are often dismissed as temporary. However, sustained outperformance tends to trigger "performance-chasing behaviour." With emerging markets entering a second year of relative strength, investors are likely to move more money into them, creating the potential for a self-reinforcing cycle. Early signs of capital rotation are already evident in AI-linked technology stocks, which attract investors due to strong earnings prospects, disciplined capital spending and significantly lower valuations compared with U.S. peers.

Valuations remain an important component of the investment case. Even with the recent gains, emerging-market equities continue to trade at substantial discounts to both U.S. and broader developed-market indexes based on forward earnings multiples, while offering higher dividend yields. Although valuations are elevated relative to history, many emerging markets—particularly in Latin America, parts of Europe, the Middle East and segments of Asia—trade at discounted levels. Some increase in valuations may be justified by changes in index composition, as growth-oriented sectors such as Information Technology now represent a larger share of market capitalization than in the past. In addition, the prospect of declining interest rates across emerging economies could lower the cost of equity and support even higher valuations.

The Information Technology sector highlights the investment opportunity most clearly. Emerging-market technology companies trade at a significant discount to their developed-market counterparts on both earnings and book-value measures. This gap reflects differences in market perception and ownership rather than a lack of growth potential. If demand for AI infrastructure remains robust, the discount could narrow further as investors seek diversified exposure beyond U.S. mega-cap companies. Conversely, should technology sentiment weaken, lower starting valuations and lighter ownership may provide some resilience, even though valuations in parts of North Asia have become stretched following strong performance.

Beyond technology, economic reforms in emerging markets support medium-term growth prospects. Several countries are implementing policies aimed at improving corporate governance, increasing shareholder returns, increasing foreign ownership and stimulating domestic demand. These initiatives are intended to enhance productivity, attract foreign investment and strengthen governance, thereby supporting both earnings growth and valuations over time. Examples include efforts to improve capital discipline in China, a consumption-led expansion in India, economic diversification in the Middle East and South Africa's plan to spend tens of billions of dollars on infrastructure. Finally, we note that South Korea has passed rules to improve corporate governance and shareholder returns, similar to what Japan has done over the past decade.

Geopolitical tensions and trade frictions present meaningful risks, particularly if protectionist policies weigh on global growth. However, an important structural shift has been the expansion of trade within emerging markets. Trade between countries in the Southern Hemisphere, where emerging markets are concentrated, now accounts for a large share of global exports. This trend reduces dependence on developed-market demand and provides a buffer against unexpected geopolitical shocks. In Latin America, strategic competition between the U.S and China may intensify, but this rivalry could also benefit regional economies by increasing capital inflows and diversification.

Taken together, the outlook for emerging markets rests on a combination of cyclical economic recovery and reform. Strong earnings growth—particularly from AI-related sectors—a potentially weaker U.S. dollar, improving investor positioning and still attractive valuations all point to the possibility of sustained relative outperformance after a long period of disappointment. While risks remain significant, especially from geopolitical developments and U.S. macroeconomic conditions, the balance of factors suggests that emerging-market equities may be entering the early stages of a period of sustained gains rather than a temporary rebound.

RBC GAM Investment Strategy Committee
Members



Dagmara Fijalkowski, MBA, CFA
Managing Director & Senior Portfolio Manager,
Head of Global Fixed Income & Currencies
RBC Global Asset Management Inc.

Chair, RBC GAM Investment Strategy Committee

Dagmara is a Managing Director and Senior Portfolio Manager at RBC GAM Inc., as well as the Head of the RBC Global Fixed Income and Currencies team, which is composed of over 40 investment professionals based in Canada and the U.K. In her role as a portfolio manager, Dagmara oversees several bond funds, including the RBC Bond Fund, and is responsible for foreign-exchange hedging and active currency overlay programs. She leads the Fixed Income Strategy Committee, which determines appropriate risk levels for various fixed income market opportunities. Additionally, Dagmara chairs the RBC GAM Investment Policy Committee and the RBC GAM Investment Strategy Committee, which set the asset mix for RBC GAM's suite of balanced products. She began her career as a fixed income analyst with RBC GAM in 1997 and has been a member of the GAM Leadership Committee since 2016.

Dagmara, who began her investment career in 1994, holds an MBA from the Richard Ivey School of Business at Western University in Canada and a Master's degree in economics from the University of Lodz in Poland. Dagmara has been a CFA charterholder since 1997.



Stu Kedwell, CFA
Global Chief Investment Officer
RBC Global Asset Management Inc.

Stu is the Global Chief Investment Officer at RBC Global Asset Management Inc. (RBC GAM), the Royal Bank of Canada's wholly-owned investment management subsidiary. The firm manages assets nearing (CAD) $819.4 billion* for institutional, high net worth and individual investors in fixed income, equity and alternative mandates in Canada and around the world. Stu is responsible for the overall direction of investment policy and asset management. Previously the Global Head of Equities, Stu now oversees 400+ investment professionals globally, who manage in aggregate more than 270 investment strategies across 20 asset classes.

Stu has over 25 years at RBC. He began his career in 1996 with RBC Dominion Securities. In 1998, he joined the RBC Investments Portfolio Advisory Group, which provides investment ideas and recommendations to RBC DS Investment Advisors. He was also a member of the RBC DS strategy & focus list committees. Stu has been with the firm since 2002 and is a CFA charterholder.

*AUM in CAD as of February 28, 2026



Soo Boo Cheah, MBA, CFA
Managing Director &
Senior Portfolio Manager
RBC Global Asset Management (UK) Limited

Based in the U.K., Soo Boo is responsible for managing global fixed-income allocations. He specializes in assessing the impact of central bank policies and global macroeconomic trends on developed-market bonds. In his role as a senior portfolio manager, he integrates a wide range of investment strategies involving interest rates, currencies, and derivatives. Soo Boo started his career in the investment industry in 2000 and holds an MBA from University of New Brunswick. Soo Boo has been a CFA charterholder since 2002.



Irene Fernando, MBA, CFA
Managing Director & Senior Portfolio Manager
Co-Head North American Equities
RBC Global Asset Management Inc.

Irene is a senior portfolio manager and co-leads the North American Equity team. Irene started at the firm in 2007 as a member of the Wealth Management Generalist program. Prior to joining RBC, Irene was employed as an analyst at a multi-national investment bank. After the Generalist program she joined the RBC North American Equity Team as a research analyst covering Canadian equities, with a focus on the Financials and Real Estate sectors. She was named Associate Portfolio Manager in 2014, Portfolio Manager in 2016, and Senior Portfolio Manager in 2022. She was named co-head of the North American Equity Team in 2025. Irene earned a Bachelor of Commerce from the University of Toronto and is a CFA Charterholder.



Eric Lascelles
Managing Director, Chief Economist and
Head of Investment Strategy Research
RBC Global Asset Management Inc.

Eric is Managing Director, Chief Economist and Head of Investment Strategy Research for RBC Global Asset Management Inc. (RBC GAM). He leads a team of economists and strategists generating forecasts and research on key economic and market themes. Eric is also a member of the RBC GAM Investment Strategy Committee, which is responsible for the firm's global asset mix recommendations.

Eric is a trusted voice for the investment team and clients alike, and his insights are regularly sought by global media outlets.Externally, Eric serves on the C.D. Howe Institute's Business Cycle Council, the group that dates recessions and other economic turning points in Canada.

Prior to joining RBC GAM in 2011, Eric spent nearly a decade at another major financial institution, rising from bank economist to the position of chief economist and rates strategist on the firm's trading floor. He began his career at Statistics Canada.

Eric holds a graduate degree in Economics from Queen's University as well as a Bachelor of Economics from Princeton University.



Scott Lysakowski, CFA
Managing Director & Senior Portfolio Manager
Head of Canadian Equities (Vancouver)
RBC Global Asset Management Inc.

Scott is Head of the Vancouver-based Canadian Equity Team. He is primarily responsible for overseeing equity research and portfolio management of the firm's core Canadian equity strategies. Scott also serves as lead manager for the Canadian income strategies. Scott began his investment management career with the firm in 2002 as a senior research analyst and portfolio manager within the Toronto-based Canadian Equity Team. He transitioned to the Vancouver team seven years later and assumed his current leadership role in 2012. During his tenure with the organization, he has conducted research for and managed a broad spectrum of Canadian equity portfolios, specializing in dividend and income mandates.



Hanif Mamdani
Managing Director &
Head of Alternative Investments
RBC Global Asset Management Inc.

Hanif Mamdani is Head of both Corporate Bond Investments and Alternative Investments. He is responsible for the portfolio strategy and trading execution of all investment-grade and high-yield corporate bonds. Hanif is Lead Manager of the PH&N High Yield Bond and Alternative strategies, including a multi-strategy hedge fund. He is also a member of the Asset Mix Committee. Prior to joining the firm in 1998, he spent 10 years in New York with two global investment banks working in a variety of roles in Corporate Finance, Capital Markets and Proprietary Trading. Hanif holds a master's degree from Harvard University and a bachelor's degree from the California Institute of Technology.



Bryan Mascoe, CFA
Managing Director & Senior Portfolio Manager,
Co-Head Fixed Income (Vancouver)
RBC Global Asset Management Inc.

Bryan is co-Head and a senior portfolio manager on the PH&N Fixed Income Team. He co-manages the investment-grade credit research effort. As part of this role, he manages our dedicated corporate bond portfolios and is responsible for performing credit analysis on investment-grade issuers. He also assists with the strategy and trade execution of corporate bonds held in broader short, universe, and long fixed-income mandates. Bryan has a Bachelor of Commerce degree from the University of British Columbia and is a Leslie Wong Fellow as a graduate of the UBC Portfolio Management Foundation. He has been a CFA charterholder since 2005.



Daniel Mitchell, CFA
Managing Director & Senior Portfolio Manager,
Global Fixed Income & Currencies
RBC Global Asset Management Inc.

Dan is a Managing Director and Senior Portfolio Manager on RBC GAM's Global Fixed Income and Currencies team. He joined the firm in 2004 as a fixed income analyst helping to identify investment opportunities in Canadian bond markets. Dan transitioned to currency markets in 2006 in order to build out the infrastructure required to manage foreign exchange on a large scale and later became a member of the active currency management team as a portfolio manager. He oversees the currency hedging program and is responsible for tactical currency overlay strategies employed in fixed income, equity and balanced portfolios.

Dan graduated from Dalhousie University with a bachelor's degree in commerce and has held the Chartered Financial Analyst designation since 2007.



Sarah Neilson, CFA
Managing Director & Senior Portfolio Manager
Co-Head North American Equities
RBC Global Asset Management Inc.

Sarah is a senior portfolio manager and co-leads the North American Equity team at RBC Global Asset Management (RBC GAM). Sarah joined the firm in 2004 as a member of the Wealth Management Generalist program, where she spent a year with the RBC Dominion Securities portfolio advisory group covering income trusts and then completed a rotation as an analyst with the U.S. portfolio management team. Upon completing the Generalist program, Sarah joined the RBC Dominion Securities portfolio advisory group where she worked for two years in Canadian equities. In 2008, Sarah joined RBC GAM as a research analyst covering Canadian equities with a focus on the Energy sector. She was named Associate Portfolio Manager in 2014, Portfolio Manager in 2016, and Senior Portfolio Manager in 2022. She was named co-head of the North American Equity Team in 2025. Sarah earned a Bachelor of Science in Mechanical Engineering at Queens University, and an MBA from McGill University. She was awarded the CFA Charter in 2009.



Sarah Riopelle, CFA
Managing Director, Senior Portfolio Manager
and Global Chief of Staff, Investment Office
RBC Global Asset Management Inc.

Sarah is managing director, senior portfolio manager, and global chief of staff, Investment Office at RBC GAM Inc. In this role, she leads several of the important functions supporting investment teams and client success, working closely with the firm's chief investment officer to ensure that all aspects of the investment management business at RBC GAM are running smoothly. Sarah also manages the firm's entire suite of portfolio solutions and is a member of the RBC GAM Investment Policy Committee (responsible for the investment strategy and tactical asset allocation for RBC funds' balanced products and portfolio solutions) and RBC GAM Investment Strategy Committee (sets global strategy for the firm. Prior to joining RBC GAM in 2003 as a senior analyst, she worked at RBC Dominion Securities in both the Quantitative Research and Investment Strategy groups.

Sarah began her career in the investment industry in 1996 after graduating from the University of Ottawa with a Bachelor of Commerce degree, majoring in Finance and International Management. She was awarded the Chartered Financial Analyst designation in 2001.



Eric Savoie, MBA, CFA, CMT
Senior Investment Strategist
RBC Global Asset Management Inc.

Eric is a senior investment strategist on RBC GAM's Macro Economic and Investment Strategy Research team. In this role, he constructs and maintains 'top-down' forecasting and valuation models for global fixed income, equity and currency markets. He also analyzes capital markets and macroeconomic data used to drive market forecasts, asset mix, country/regional allocations and sector recommendations for balanced portfolios.

His career in the investment industry began when he joined RBC GAM in 2012. Eric has been working alongside the Chief Investment Officer as well as the Senior Portfolio Manager of RBC Portfolio Solutions since 2013.

Eric earned an MBA in 2011 from the Sprott School of Business and a Bachelor of Engineering in 2010 from Carleton University. He has been a CFA charterholder since 2015 and a CMT charterholder since 2023.



Kristian Sawkins, CFA
Managing Director & Senior Portfolio Manager
Co-Head Fixed Income (Vancouver)
RBC Global Asset Management Inc.

Kristian is co-Head and a senior portfolio manager on the PH&N Fixed Income team, specializing in universe and short-term bond mandates. He is also a member of the PH&N IM Asset Mix Committee. Kristian joined Phillips, Hager & North Investment Management in 2002 as an associate analyst with the Canadian Equities Team and moved to the Fixed Income Team in 2005. Prior to joining the organization, Kristian spent three years at a major investment bank in New York across a few different roles. Kristian has a Bachelor of Commerce degree from the University of British Columbia and is a Leslie Wong Fellow as a graduate of the UBC Portfolio Management Foundation. He has been a CFA charterholder since 2002.



Jaco Van der Walt, DCom
Managing Director & Global Head of
Quantitative Research & Investments
RBC Global Asset Management Inc.

As Global Head of Quantitative Investments, Jaco leads an experienced team that is driven to continually innovate across all its capabilities, including research, portfolio management, data and systems to leverage the combination of human and machine in investment decision-making. He previously held an executive role at one of South Africa's largest financial services companies, leading the Investment Management Office, with experience spanning pensions, insurance, banking and wealth management. As asset owner, he also chaired the boards and investment committees of several of the company's pension plans, promoting investment excellence and driving transformational change to ensure members reach their retirement goals. Jaco began his investment career in 1996 and holds a Master's degree in Economics from the University of Toronto and a Doctorate from the University of Pretoria.



Milos Vukovic, MBA, CFA
Managing Director &
Head of Investment Policy
RBC Global Asset Management Inc.

Milos, who joined RBC in 2003, oversees investment-management activities including new-fund launches, performance analytics and trade-cost analysis. He is also responsible for developing and monitoring investment mandates and implementing tactical asset allocation for the RBC GAM investment solutions. Milos earlier worked for a Big 4 accounting firm and two top-tier securities firms. He earned an MBA at the Schulich School of Business and has held the CFA designation since 2004.



Brad Willock, CFA
Managing Director &
Senior Portfolio Manager
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Brad Willock joined RBC Global Asset Management in July 2002 and is a Senior Portfolio Manager and CFA charterholder. In his current role, Brad has responsibility for RBC Global Asset Management's core and income-oriented U.S. equity strategies. He joined RBC in May 1996 after receiving a bachelor's of commerce degree with distinction from the University of Calgary. Prior to that, Brad obtained a bachelor's of science degree at the University of British Columbia and represented Canada at the 1992 Barcelona Summer Olympics in volleyball.

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