

# DIRECT INVESTOR



## Taking the lead in client service

A winner of the Canadian online brokerage award for client service excellence.\*



## Equity trades now \$9.95 — or less — for everyone

As of January 14, 2014, RBC Direct Investing™ lowered the commission for online and mobile equity trades from \$28.95 to \$9.95<sup>1</sup> flat with no minimum account balance or trading activity requirements. Previously, you needed to meet a minimum account balance or trading threshold to qualify for this low commission.

The \$9.95 equity commission doesn't change no matter how many shares you buy or sell, or how low or high the share is priced. Canadian or U.S. options<sup>2</sup> are \$9.95 plus \$1.25 per contract. If you are an active trader — making 150 trades or more per quarter — you will continue to pay a flat rate of just \$6.95 per online or mobile equity trade. Canadian or U.S. options are \$6.95 plus \$1.25 per contract.

In addition to lower priced equity trades, the minimum investment required for Series D mutual funds<sup>3</sup> recently changed. These funds can be purchased from as low as \$500, and access has been extended to a number of major fund companies. For more on Series D, visit the *Mutual Funds Centre* under the **Quotes & Research** tab.

The removal of pricing barriers, is just one example of our commitment to enriching your online investing experience. Turn to page 5 to learn how the value you receive extends beyond pricing.

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**Online DRIP list now available**  
Now you can access a list of eligible Dividend Reinvestment Plan (DRIP) securities in the online investing site. To view the current list, go to the *Accounts & Services* page under the **Investment Products** tab, select the **Services** tab and click on “Dividend Reinvestment Plan.”

RBC Direct Investing



# Spotlight on research: fundamental analysis

This is the second in a series of articles focusing on research and the important part it can play in your investment decision-making.

The Winter 2014 issue of *Direct Investor* provided an introduction to technical analysis research, along with an overview of the resources available to you on the online investing site. In this edition, we focus on a complementary form of investment research: fundamental analysis.

**Why fundamental analysis?** It can provide a better understanding of a company's value, which can help you determine if the company is the right investment choice for your portfolio.

## Fundamental analysis explained

Fundamental analysis focuses on getting to know a company and some of the factors that may affect its stock price. By examining a company's financial health, its future growth prospects, the strength of its brand name and the quality of the management team, you will be in a better position to determine if the stock is underpriced, fairly priced or overpriced.

## Do-it-yourself analysis

If you have a particular stock in mind and want to learn more about the company, there are a number of resources within the online investing site. For instance, from the *Detailed Quote* of a stock, click on the following tabs for more information:

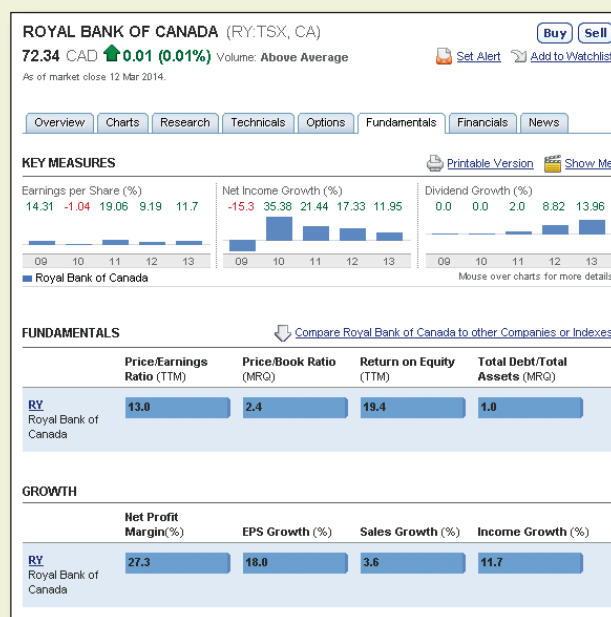
- **Research.** View the most recent analyst recommendations from Morningstar<sup>†</sup> and consensus ratings from Thomson Reuters<sup>‡</sup>. Gain further insight into the company by reviewing the Morningstar analysts' research report.
- **Fundamentals.** Read key measures and ratios that analysts use to assess company fundamentals.
- **Financials.** View and analyze the company's financials, such as the income statement, balance sheet and cash flow statements. You can also download the financials to a spreadsheet to review them at a later date.

## Expert analyses and screeners

There are also a variety of fundamental research resources available to help you choose stocks:

- Under the **Quotes & Research** tab on the *Stock Screener* page, you can filter companies using a number of criteria based on categories such as Performance, Fundamentals and Research.
- The *Market Insight* page under the **Markets** tab provides access to domestic and global investment forecasts, including "*Canadian Research Highlights*", a monthly publication that discusses Morningstar analysts' best ideas and recent developments from their Canadian coverage universe. You'll also find a list of analysts' upgrades and downgrades of the most recent week.

Figure 1: Example of the Fundamentals tab



For illustrative purposes only.

Many investment professionals consider fundamental analysis to be the most important step in the investment process. With a wealth of resources at your disposal, you can integrate this type of research into your investment decision-making.



Fundamental and technical analysis is a hot topic in the Community<sup>4</sup>. Head to the *Forums*<sup>5</sup> to read the latest posts.

To learn more about fundamental and technical analysis, go to the *Strategies & Advanced Concepts* page under the **Guidance & Planning** tab, scroll down to Investment Products and read the Equities articles on stock selection strategies.

# Market Outlook

Provided by RBC Global Asset Management Inc. on March 14, 2014

For several years, we have watched the interlocking conditions for economic normalization gradually click into place. Today, bond yields are roughly in line with equilibrium as measured by our models, and several equity markets, including the S&P 500, are closing in on fair value following years of trading at a significant discount. This normalization thesis has recently been challenged by a number of new threats, but we don't believe that these represent critical risks to the cycle. The recent stint of bad economic data is mainly due to poor weather, inflation is unlikely to remain this low for long and political unrest (like the current situation in Ukraine) rarely bleeds into the global economy or markets. With the path to normalization only slightly more challenging, and given that the Fed is set on tapering its bond-buying operations, bond yields should continue to edge higher and the equity rally should endure.

## Global growth improves, despite emerging market weakness

Global growth should improve in 2014 and be slightly stronger again in 2015, with the heavy lifting coming disproportionately from rejuvenated developed nations where consensus expectations for GDP have continued to rise over the past quarter. We expect the developed world to grow twice as quickly in 2014 as it did in 2013, and our 2015 forecasts look for a little more growth still. The previous trend of downward revisions to emerging-market growth has stopped, at least for now. The outlook for emerging nations remains a central point of uncertainty after poor growth in 2013. This year looks to be slightly improved, in large part due to the prospect of rising global trade. However, emerging markets remain imperiled by credit excesses that have built up over the past five years. These countries have grown unusually quickly since the turn of the millennium, outperforming developed nations by a greater degree than normal. An era of more normal credit growth likely signals a reversion toward a more normal outperformance relative to developed nations.

## Deflation threat overblown

Inflation has fallen to quite low levels in the developed world. This disinflation is not merely the function of a rogue price or two but is broadly distributed across the basket of goods and services. Economic slack and low commodity prices figure centrally in this issue. Even as developed-world growth revives, output gaps remain large, keeping a lid on wage and price pressures. Soft commodity prices have also contributed. However, we expect inflation to revert to a more reasonable level in the coming months. Consequently, our inflation forecasts are a little higher than the market consensus over the next few years, and we expect inflation to gradually rise over time.

## Greenback's bull-market run continues, supported by monetary-policy divergence

The multi-year U.S. dollar bull market continues. Having rallied 13% from its May 2011 low, the greenback is likely to be less than halfway through the current cycle. The euro has been holding its own against the greenback, but weaker Eurozone growth and ECB easing will weigh on the currency in the longer term. In Japan, further monetary easing and a weaker yen will continue to be key elements of the country's deflation-fighting policies. The Canadian dollar remains vulnerable to further weakness given a current-account deficit and accommodative central bank policy, while stronger economic growth keeps the pound insulated from U.S. dollar strength. Monetary policy divergence remains the central driver in currency markets and confirms the continuation of a positive U.S. dollar environment.

## Bond yields stabilize

In February, leadership of the U.S. Federal Reserve transitioned from Ben Bernanke to new Chair Janet Yellen. Yellen is known as a dove – as was Bernanke – and so policy is unlikely to veer away from the existing trajectory. For now, this means that the Fed's tapering plans will continue, with bond-buying likely wrapped up in the fall of this year. It is conceivable that the asset purchases could be extended for a few months longer if deflation fears or the recent spell of disappointing data persist, but the end of quantitative easing is nonetheless in sight.

The combination of improving economic prospects, higher risk appetite and declining Fed bond-buying led to a significant increase in bond yields in 2013. And now, for the first time in several years, yields in most major bond markets are approaching equilibrium. Yields should continue to rise over the coming years as the economy rebounds, risk appetite continues to improve and the Fed tapers its bond purchases. However, much of the necessary adjustment in yields has already been absorbed and we expect bond yields to rise more gradually going forward, generating total returns in the low single digits or close to zero.

### Equities nearing fair value

Equity market valuations have risen materially, signaling investors are indeed pricing in a sustained global recovery. To us, the rise in valuations, especially since 2013, represents a regime shift as investors moved out of a post-crisis mindset into one that reflects the progressive normalization of the economy and risk premiums. While the S&P 500 has moved up to approach fair value, global equity markets generally still lie below equilibrium. However, recognizing that stock valuations are no longer extraordinarily low, we have adjusted our total-return expectations to recognize the superior returns so far in this bull market and the more demanding valuation multiples that have resulted. That said, valuations are only half of the equation, and earnings can be just as important to determining potential returns. With the global recovery gaining traction, stronger revenues and corporate profitability could contribute another leg to the rally.

### Taking advantage of trading opportunities

As the lingering effects of the financial crisis fade, we have seen a regime shift in markets and valuations. With both stocks and bonds moving closer to fair value, we have moved to a more neutral asset allocation, although still with a tilt to equities. While stocks have outperformed bonds over the past few years, we believe that equities still offer attractive relative return potential, and we remain overweight equities as a result. We have reduced the extreme underweight in fixed-income markets that we have held over the past few years. Although, we remain modestly below benchmark exposure as we expect that rising bond yields will eat into coupon income and lead to low returns for holders of sovereign bonds especially. In late December, we increased our allocation to bonds as the 10-year Treasury yield rose toward 3%, and reversed that trade at the beginning of February following a strong rally in fixed-income markets. For a balanced, global investor, we recommend an asset mix of 58% equities (strategic neutral position: 55%), 38% fixed income (strategic neutral position: 40%) with the balance in cash.

The complete RBC Investment Strategy Committee's Global Investment Outlook, including the recommended asset mix by investor profiles and the definitions of the investor profiles, can be found on the *Market Insight* page under the **Markets** tab on the RBC Direct Investing site.

## Extending value beyond price

In this issue's cover story we highlighted the new \$9.95 flat commissions for online and mobile equity trades and touched on the reduced investment minimum (as low as \$500) for Series D mutual funds.

While we're focused on ways for you to save money, helping you achieve your investment goals continues to be a top priority. Exceptional support and innovative resources are key elements that, together, provide you with a rewarding online investing experience that extends far beyond competitive pricing.

### Find out what inspires other investors

Have you ever wondered about the investments that other people are following? You can learn this — and much more — in the Community. For instance, in the *Universe* you can see what other investors are holding for possible investment ideas of your own, or find out if other members are on track to reach their goals. Maybe you have a question about a stock that's been in the headlines lately or an investment strategy you want to try. You'll find a variety of active discussions in the *Forums*, including topics such as "General Investing Questions" and "Current Market Events." To check out the discussions for yourself, log in to the online investing site and click on the *Forums* page of the **Community** tab.

**Welcome to the Forums**

1 Reputation Points    3 Posts    2 Response(s)

This is an investor to investor forum. RBC Direct Investing will not use this forum for communicating with clients. Please call us at 1-800-769-2560 or send us a secure message if you have any questions, suggestions or require service or support.

Search by topic or by keyword  **Search**

**Explore**

**Send us your questions or suggestions**

**General Investing Questions**  
Last Activity: 2 hours ago

**My Story**  
Last Activity: 10 Mar 2014

**Fundamental and Technical Analyses**  
Last Activity: 12 Mar 2014

**Financial Planning**  
Last Activity: 05 Mar 2014

**Current Market Events**  
Last Activity: 01 Mar 2014

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Join your fellow investors in the Community today! Log in to the online investing site and select the **Community** tab to become a member.

### Tools for your portfolio

Have you visited the **My Portfolios** tab lately? A full range of resources are available to help you monitor your holdings, check on your orders and more.

One of the most important steps for you to take as an investor is to set a goal. It's an effective way to monitor your progress. If you're not quite sure where to start, a personalized learning plan can help you focus on what you need to reach your goals. To get started, visit *My Personalized Learning* under the **Guidance & Planning** tab.

### Sign up for a Practice Account

For new and experienced investors alike, you can use a Practice Account to your advantage. It's one of the most convenient ways to learn how to buy and sell investments at your own pace or to explore a new trading strategy — without risking real money. And, because Practice Accounts are integrated into the online investing site, you can experience investing using the same order entry screens available for actual trades. To get started, log in to the online investing site and click on the Practice Accounts image on the *Summary* page of the **My Home** tab.

### Helping you reach your goals

With resources for investors of all levels, you'll find something to meet your needs in the online investing site. We encourage you to take a few minutes to explore the Community, read a new analyst report or try a portfolio management tool you haven't used before.

### Contact us for support

If you'd like someone to walk you through some of the features we've covered here or something else that has piqued your interest, an Investment Services Representative can help. Give us a call at 1-800-769-2560 to get started.

We continue to work on ways to enhance your investing experience. Look for details about the improvements we're making in upcoming editions of *Direct Investor*.

# New: Mobile trading on Android and BlackBerry 10

The enhanced RBC® Mobile app<sup>6</sup> is now available on Android smartphones (OS 4.0 and above) and BlackBerry 10 devices.

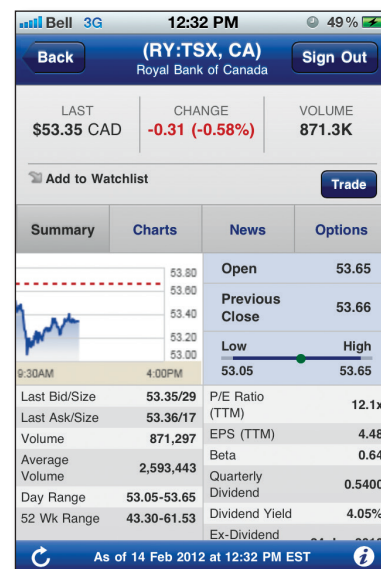
If you use one of these devices or an iPhone or iPod touch, you can:

- Buy and sell stocks, mutual funds, ETFs and options on the go
- Access real-time account and holdings details
- Get real-time<sup>7</sup> quotes and up-to-date market information and news
- View order status
- Set up watchlists
- Transfer funds between your RBC Direct Investing and RBC Royal Bank accounts

All mobile equity trades automatically qualify for \$9.95<sup>1</sup> flat commissions. And, if you're an investor who trades 150 or more times per quarter, you'll continue to pay just \$6.95<sup>1</sup> flat CDN or US per equity trade.

Getting started is easy. Just visit the app store of the device you're using or text "RBC" to 727222 and you'll receive a text back with a link to download the free app.

For a full list of features, visit [www.rbc.com/mobiletrading](http://www.rbc.com/mobiletrading).



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<sup>1</sup> RBC Direct Investing was ranked number one by DALBAR Inc. in 2013. The annual DALBAR Direct Brokerage Service Award rankings are based on evaluations made over the calendar year, measuring a company's quality of performance in product knowledge, professionalism and their ability to provide value-added service.

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<sup>4</sup> For options assignments and exercises, the commission schedule for orders placed using an Investment Services Representative will apply.

<sup>5</sup> There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer, their values change frequently and past performance may not be repeated. For money market funds there can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you.

<sup>6</sup> Specific terms and conditions apply for membership in the RBC Direct Investing Community. For details please sign in to the RBC Direct Investing online investing site, click the link to the Legal Terms of Use and read the RBC Direct Investing Community – Terms of Service.

<sup>7</sup> Forum topics and discussions are member-generated and do not constitute recommendations or advice from RBC Direct Investing Inc.

<sup>8</sup> RBC Mobile is operated by Royal Bank of Canada, RBC Direct Investing Inc. and RBC Dominion Securities Inc.

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For past issues of our newsletter, go to [www.rbcdirectinvesting.com/newsletter](http://www.rbcdirectinvesting.com/newsletter).

For account-specific inquiries, call us toll-free at 1-800-769-2560.

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