SUMMER 2013

A QUARTERLY EDUCATIONAL NEWSLETTER FOR CLIENTS OF RBC DIRECT INVESTING INC.

40474 (06/2013)

DIRECT INVESTOR

In this issue

Market Outlook

5 quick tips for managing your portfolio

What's new in the Community

Enhance your financial knowledge with online learning

We all invest for different reasons and for a variety of goals, but a common factor for long-term success is making smart investment decisions. You're already building your skills as an investor, and we have the tools and resources you need to enhance your knowledge and keep up-to-date on the latest investment trends and thinking.

There are many opportunities for learning in a changing investment world. For instance, you may already read the financial or business sections of your favourite newspaper and visit credible online sites.

We want to highlight some of the resources available to you in the RBC Direct Investing™ online investing site. Turn the page to find out more about the Personalized Learning Plan and how you can learn from other investors in the RBC Direct Investing Community.

See *Targeted learning* on page 2

Did you know that the analyze & rebalance tool can help you identify how diversified your portfolio is?

This tool works in conjunction with the goal-setting tool to help you visualize and track your progress towards your investment objectives. And now **the analyze & rebalance tool is better than ever**. Recent improvements make it easier to rebalance your portfolio. We've streamlined the tool and reduced the number of steps needed to take you from start to finish.

See *Rebalance your portfolio* on page 2 for more details.

RBC Direct Investing

Continued from page 1

Targeted learning — customized for you

Whether you're an experienced investor or just starting out, the Personalized Learning Plan provides a convenient, targeted way to enhance your knowledge.

Your Personalized Learning Plan starts with seven quick multiple-choice questions on such relevant factors as your investment goal, time commitment, investment experience, investment interests and the amount you'd like to invest. Once you've completed the questions, you'll receive a learning plan tailored specifically for you — with everything you need right at your fingertips.

Your plan might include tools and resources such as Show Me videos on creating and managing goals, tutorials on placing trades and articles on a range of investing topics from stock selection strategies to investing in ETFs — all intended to help you achieve your goal.

You can easily track your progress each time you access your plan, giving you the freedom to move through each section at your own pace and pick up where you left off when you return. If you discover something interesting you'd like to learn more about, or if your goals change over time, you can easily adjust your current plan or create a new one.

The Personalized Learning Plan is available with any RBC Direct Investing account, including Practice Accounts. If you have family members or friends who are interested in learning how to invest, make sure they know about this valuable free online learning resource.

To create your plan, go to the **Guidance & Planning** tab in the online investing site.

Connect with other investors

In addition to creating your own learning plan, you can gain insights from other investors in the RBC Direct Investing Community[1]. Visit the *Forums*[2] page and browse the latest topics up for discussion, or post your own questions to engage and connect with other Community members.

If you see a topic that sparks your interest, you can click on the writer's avatar to read their profile. Find out how many reputation points they have earned based on votes from other members, view their investment holdings and decide whether you want to follow that investor. You can also visit the *Reputation* page to see a leader board of members whose contributions to the forums have been voted the most valuable by the Community.

On the *Learning* page of the **Community** tab, you'll find a variety of educational opportunities:

- Visit the "My Story" section and submit your own real-life investing experience for other members' feedback. We respect your privacy. Personal information will be removed prior to being published in the Community.
- Brush up on common investing definitions by reading the "Term of the Day."
- Check out the "Tip of the Week" for brief insights into a wide range of topics on general investing principles.
- Discover something new by reading the weekly "Did you know" articles or by participating in the polls.

To join the Community, sign into the online investing site and select the **Community** tab.

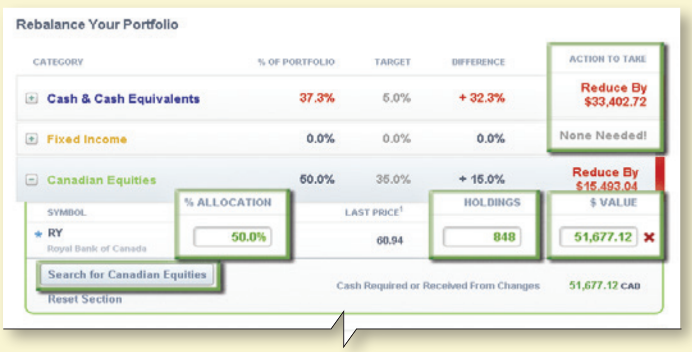
Continued from page 1

Rebalance your portfolio — with the improved Analyze & Rebalance tool

Here's what you'll find when you access the newly enhanced *Analyze & Rebalance* tool under the **My Portfolios** tab.

In the "Rebalance" step you will see exactly how much you need to increase or decrease each asset category (in both % and $) to reach your targeted balance. To make it even easier for you, the tool will automatically re-calculate your holdings based on the adjustments you plan to make.

If you're looking for new holdings to rebalance your portfolio, simply select "Search" in the same step to automatically pull up mutual fund, ETF and stock screeners without leaving the page.



To try out these new features on your portfolio, visit the *Analyze & Rebalance* page of the **My Portfolios** tab today.

Market Outlook

Provided by RBC Global Asset Management Inc. on June 17, 2013

The global economy is continuing to heal and increased risk appetite is appearing around the world. In the U.S., the housing crisis is now behind and employment is improving at a slow but consistent pace. Japan's announcements of new stimulus programs have led to increased volatility in Japanese markets, but we expect this to result in relatively strong economic growth over the next few years. Europe is showing some progress, although we remain on guard in a still evolving and unstable environment. Several of the headwinds that we have highlighted in the past are beginning to fade, but a few remain stubbornly persistent.

Seeking escape velocity

The U.S. economy is nearing "escape velocity" as the damage inflicted by the financial crisis and pressures from subsequent reform are gradually absorbed. The U.S. labour market is improving with a steady reduction in the unemployment rate and falling jobless claims. Household debt has returned to reasonable levels, suggesting that the U.S. consumer has the capacity to increase spending. The residential real estate market is another source of good news with housing starts nearing 1 million units and home prices up by 11% year over year. In addition, affordability remains near long-term average levels indicating that the recovery in housing should be sustainable.

Despite the positive tone in the U.S., the consensus outlook for global economic growth has continued to edge lower. We too have pared some of our views, but not to the same extent as the average forecaster. For instance, our call for accelerating U.S. GDP growth is unbowed and we have raised our 2014 forecast for Japanese growth. This puts our growth forecasts for both 2013 and 2014 above the consensus. However, the outlooks for Canada and the U.K. have been whittled slightly lower, and our forecasts for those two countries plus the Eurozone are slightly below consensus. Several emerging-market economies are also looking less capable of rapid growth and, accordingly, have below-consensus outlooks.

Headwinds remain

We have seen a steady stream of improving news out of Europe in recent months. Falling bond yields indicate that investors believe the Eurozone has become a safer place to invest. True tail risks appear to have shrunk and we believe that policymakers have demonstrated a growing ability to steer the economy and financial markets through crisis. That said, Cyprus will likely need more help, and the possibility that it will leave the Eurozone is still cause for concern. Slovenia and some other peripheral nations may also need assistance in the coming months.

The Chinese economy has enjoyed a strong tailwind from credit growth for several years. However, this has not been entirely costless. Local governments now find themselves heavily indebted, the housing market could be overbuilding and shadow finance has grown by leaps and bounds. To their enormous credit, Chinese policymakers are going after each of these excesses and working to exorcise them. They can not be eliminated overnight, however, and the economy cannot grow as quickly when credit growth is slowing.

U.S. dollar remains attractive

The theme of a stronger U.S. dollar has been gaining momentum and acceptance, particularly since hopes for much more aggressive Japanese monetary policy took root last November. The shift to positive short-term correlations between the U.S. dollar and U.S. stock market confirms our view that the U.S. dollar is more likely to trade on growth perceptions than on risk aversion. Eventually we expect to see not only inflows into the U.S. stock market from abroad, but also an increased investor interest in hedging currencies on outflows sent offshore.

Calm inflation

Global inflation remains mostly well behaved, even slightly low. The main reason is that the global economy is still operating with considerable slack. When growth finally clicks, policymakers will be able to let the process snowball for several years without having to worry about capacity pressures building. In addition, commodity prices have weakened, providing a further dampening influence on inflation.

Era of monetary stimulus persists

With few exceptions, this is still very much a period of monetary easing. The Fed is engaged in a major quantitative-easing effort and the Bank of Japan is just getting started with plans to double both the monetary base and the duration of its bond holdings. The ECB recently succumbed to a rate cut, and may have another in store. Certainly, there will come a time when all of this stimulus must be removed, but it is unlikely to be soon, and it likely will not happen particularly quickly.

Rising bond yields

Volatility in the bond market has increased recently as investors debate when the Fed will begin to taper, and ultimately end, its quantitative-easing program. Massive and unorthodox monetary easing has forced yields far below levels consistent with current and expected growth and inflation in almost all regions. As the need for that stimulus dissipates, the program will be slowed, and eventually reversed, allowing yields to move to levels reflecting normal demands for a real return on fixed-income investments plus an offset for inflation. Yields have risen sharply off their lows and outflows from credit markets have started to pick up. Depending on the holding period, the ultimate rise in yields could wipe out returns earned from coupons, resulting in disappointing or even negative total returns from this asset class going forward.

Global equities extend the rally

Global equity markets have had an impressive start to the year as investors shift into “risk-seeking” mode. For much of the rally since 2009, earnings growth has been the key driver of strong equity-market returns. We are now starting to see earnings growth slow, and the most recent leg of the rally has been paced by expanding valuations. Price-to-earnings ratios remain reasonable, but they are not nearly as attractive as they were just a few months ago, and certainly nowhere near the stunning levels of 2009. Higher valuations mean that we are transitioning to an environment that is consistent with lower total returns. For earnings growth to surprise to the upside, companies will need an improving global operating environment to drive revenues, as margins are already stretched. We expect future gains will be dependent on, and paced by, expanding valuations rather than earnings growth. While these stock gains can be sustained, they will likely be accompanied by higher volatility as they depend on sentiment rather than underlying corporate profitability. Longer term, we believe that equities hold good potential given the improving global economy and increasing investor confidence.

Adding to bonds, trimming stocks

Economic normalcy appears to be on the horizon and the response has been equity markets reaching new highs and a tentative rise in bond yields. After many years of underperformance, the relative performance of stocks versus bonds has made up much of the lost ground. However, relative returns are still far below the historical average. As a result, our long-term view has not changed – we still feel that equities offer a more compelling outlook relative to fixed income. Therefore, we continue to expect equities to outperform bonds.

We are tactically managing the degree of our overweight in stocks and underweight in bonds. With yields having risen significantly, we have begun to reduce our underweight stance on bonds, adding one percentage point to our position. We have moderately reduced our exposure to equities to reflect higher valuations and the near-term risk of a consolidation/correction that follows such a long and profitable run. For a balanced, global investor, we recommend an asset mix of 58% equities (versus a neutral position of 55%), 36% fixed income (versus a neutral position of 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.

5 quick tips for managing your portfolio

With busy schedules and competing obligations, sometimes it can be challenging to give your portfolio the attention it needs so you can achieve your investment goals.

Because of travel, workload, vacations or other commitments, your time may be in short supply. That's why RBC Direct Investing has a number of resources that make it easier to manage your portfolio — no matter what life throws your way.

Here are five ways to help you keep your portfolio on track — even while you're occupied with life's other priorities.

1. Buy or sell securities, even when you can't watch the markets

You can help guard against downside risk for a position you hold through the use of a stop loss order. It will automatically place a sell order for the position if the price declines to or below the stop price you specify at the time you enter the stop loss order. For purchases, you can use a limit order to establish the maximum price you are willing to pay to purchase a security for your portfolio.

2. Pay yourself first

With a pre-authorized contribution (PAC) plan, you make automatic contributions to your RBC Direct Investing RRSP, TFSA, RESP or Investment accounts. The contributions can be made on a weekly, bi-weekly, monthly or quarterly basis from your RBC Royal Bank® chequing or savings account. You can cancel or change the amount anytime.

PAC plans are easy to set up. Sign into the online investing site, go to the **My Portfolios** tab and select *Transfer Funds*. From there, select the *Pre-Authorized Contribution (PAC)* sub-tab and enter the required information on the PAC setup page.

You can also arrange to contribute automatically from an account held outside RBC Royal Bank. Simply download and complete the Pre-Authorized Contribution Plan form found on the *Forms* page under the **My Home** tab and send it to us.

3. Invest automatically in mutual funds

Are you a mutual fund investor? If so, you may want to consider an automatic investment plan to automatically purchase your choice of mutual fund units for your RBC Direct Investing RRSP, TFSA, RESP or Investment account. Choose the dollar amount and the frequency of purchase, either monthly or quarterly. Payment can be made from your chequing or savings account at any Canadian financial institution.

To sign up for an automatic investment plan, download and complete the appropriate form on the *Forms* page under the **My Home** tab and send it to us.

4. Reinvest dividends automatically and save

If you own securities that pay dividends, you can automatically reinvest them in additional shares[3] of the issuing company with a dividend reinvestment plan (DRIP). All dividend-paying securities listed in the S&P/TSX composite index and the S&P 500 are eligible.

Not only is it convenient, but it saves you money too. When dividends are reinvested through a DRIP, no fees or commissions apply.

Reinvesting your dividends also lets you take advantage of dollar cost averaging. The share price you pay when dividends are reinvested will be higher in some quarters and lower in others.

If you did not sign up for a DRIP when you opened your account, you can do so by sending us a secure message through the online investing site or by calling us at 1-800-769-2560.

5. Invest on the go

No matter where you are[4], you can monitor and manage your investment accounts with the RBC Mobile app[5]. Access real-time[6] quotes, stay on top of breaking news in the markets and place trades on stocks, ETFs, options or mutual funds from your iPhone or iPod touch.

If you're an RBC Royal Bank Online Banking client, you can access your banking and investing accounts with a single login and password — all within the same RBC Mobile app.

All of this convenience comes with the same security protection as the RBC Direct Investing online investing site. Whether you bank or invest through an RBC online service or through RBC Mobile, you are covered by the Online Security Guarantee[7].

Getting started is easy. Visit **www.rbc.com/mobiletrading** or text "**RBC**" to **722722** and you'll receive a text with a link to download the app.

What's new in the Community

The RBC Direct Investing Community continues to grow at a steady rate. During the beta period, Community members have provided us with insightful feedback, and we've made a number of enhancements to make your online Community experience even better.

Join the discussion

Forums remain the most popular feature of the Community. It's where members come to connect, learn and exchange ideas on a variety of investing topics.

It's a great place to ask questions or learn about investment terms, principles, concepts and strategies. You can run your ideas by other experienced investors or pay it forward by sharing your knowledge and the lessons you've learned with those who are just starting out.

Vote on member posts

If you want to know which members' opinions carry weight in the Community, check out their reputation. "Reputation points" help to identify members whose posts are considered valuable by other members. You can vote up or down on any post submitted by another member. Each member of the Community can vote once on any given post. The higher the net number of up votes, the higher the reputation.

Join the Community today

To become a Community member just sign into the online investing site and select the **Community** tab.

Tell us what you think!

The Community belongs to its members. You can help us shape it to better meet your needs by sending us your comments via a secure message. Select the "Send us your questions or suggestions" tile from the *Forums* page in the Community.

RBC Direct Investing

[1] Specific terms and conditions apply for membership in the RBC Direct Investing Community. For details please sign into 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.

[2] Forum topics are member-generated and do not constitute recommendations or advice from RBC Direct Investing Inc.

[3] RBC Direct Investing will purchase whole shares only. Some exclusions may apply. Please contact an Investment Service Representative at 1-800-769-2560 for complete details.

[4] Available Only Where Permitted by Law. The products, services and securities referred to on any RBC Direct Investing automated service (as defined in the Operation of Account Agreement) are only available in the jurisdictions where they may be legally offered for sale. The information provided on any RBC Direct Investing automated service should not be construed as an offer by RBC Direct Investing to sell specific securities in any jurisdiction, including the United States. If you are not currently a resident of Canada, you should not access the information available on any RBC Direct Investing automated service.

[5] RBC Mobile is operated by Royal Bank of Canada, RBC Direct Investing Inc. and RBC Dominion Securities Inc.

[6] Real-time quotes are available upon accepting the terms and conditions of each exchange agreement, on the RBC Direct Investing online investing site.

[7] For a definition of an unauthorized transaction and for full details regarding the protections and limitations of the RBC Direct Investing Online Security Guarantee, please visit www.rbcdirectinvesting.com/guarantee.

For more information on our products or services, or to complete an application, drop by any RBC Royal Bank branch or visit our website at www.rbcdirectinvesting.com.

For past issues of our newsletter, go to www.rbcdirectinvesting.com/newsletter. For account-specific inquiries, call us toll-free at 1-800-769-2560.

VPS83216 40474 (06/2013)