

Wealth Management & Capital Markets Perspective



Wealth Management
Dominion Securities

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Revisiting the 10 basic truths about investing

By Sarah Riopelle, RBC Global Asset Management

Investors face tough markets from time to time. Think back to early 2020 and the start of the COVID-19 crisis, for example, when markets dropped suddenly as the pandemic gripped the world. Today we have new sources of uncertainty as markets react to fast-changing U.S. tariff policy.

I have been through a number of periods like this in my career and am often asked by investors for advice on what they should be doing in response. In fact, I have received this question so often in the past that I wrote an article in early 2020 about the [10 basic truths of investing](#) that I have learned in my time as a professional investor. These touched on the importance of diversification, maintaining a long-term perspective and that time in the market is more important than timing the market.

With the recent increase in market volatility, I was discussing these investing truths again with my team. We decided that it might be time to refresh the list. While my original list still stands, I think some new truths have moved into the top 10 in the past few years. (*Editors note: please reach out to our team if you would like a copy of the original list.*)

1. Diversification is still your most important investment strategy.

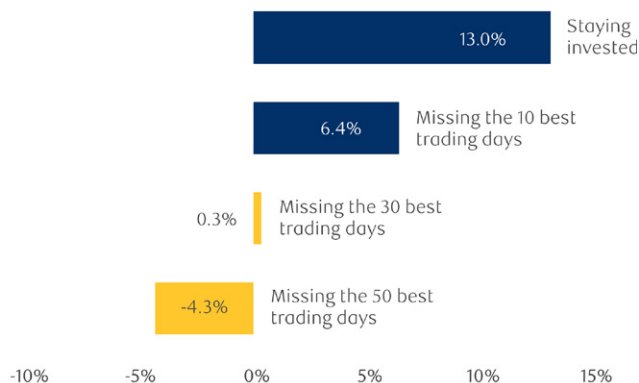
This one was and still is at the top of my list! If recent history has shown us anything, it's that diversification remains one of the best ways to manage volatility in your portfolio. Different asset classes and markets go up and down at different times, so combining them into a well-diversified portfolio will smooth out investment returns over time. This can help you manage through volatile markets like the one we have experienced so far this year. It will also help you stick to your long-term investment plan.

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2. It’s time in the market that matters, not timing the market.

One thing I have learned is that it is extremely difficult to successfully time the market. It involves making two decisions – when to get out and when to get back in. Even if you manage to find the right time to get out of the market, it’s highly unlikely that you’ll be able to get back in at the right time. As difficult as the market drawdown was at the start of the COVID crisis, sitting on the sidelines meant you likely missed out on some pretty impressive gains that followed shortly after the low. Missing even a few of the strongest days in the market can have a significant impact on your overall investment returns.

Missing just the 10 best days in the market over the past 10 years would have reduced your returns



Based on the annualized returns of the S&P/TSX Composite Index for 10 years, ending February 28, 2025. Source: Bloomberg, Morningstar, RBC Global Asset Management.

3. Someone’s portfolio will always be doing better than yours (or at least they will say it!).

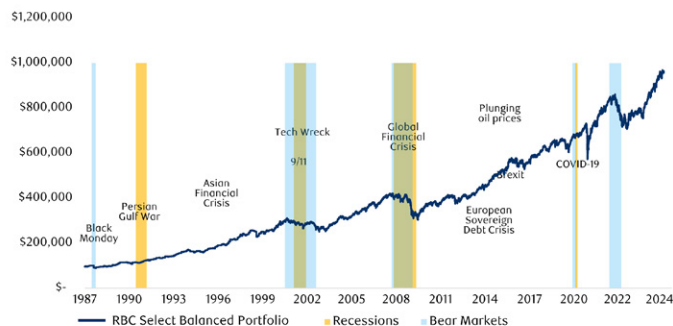
People will always tell stories of a hot stock or investment tip that made them money. Meme stocks, bitcoin and NFTs all come to mind. But no discussion of investment returns or performance is meaningful without also considering the level of risk involved. To earn higher returns, you need to accept more risk or volatility. So those who are bragging about their investing success could have a very different risk tolerance or time horizon than you, or they may simply be exaggerating their results. Either way, you should not take this as an indication that your investment portfolio is inferior or that you are missing out on something.

4. Markets go through up and down cycles, but they have trended higher over the long term.

Markets do not simply go up in a straight line. They experience many ups and downs, driven by a host of different factors. Some of these are fairly small and are resolved quickly; others are larger and can take longer for markets to digest. What is important to remember is that downturns have happened before, and will happen again, but they are not a reason to panic. In the past, markets have always recovered and trended higher over the long term.

Markets have always trended higher over time

RBC Select Balanced Portfolio – growth of 100K



Source: RBC GAM, Bloomberg. Returns are reflective of Series A performance since January 1, 1987 to February 28, 2025. As of February 28, 2025 annualized returns 1 year = 13.0%, 3 year = 6.0%, 5 year = 6.9%, 10 year = 5.4% according to Morningstar. Inception date: Dec 31, 1986. Bear markets starts from when a stock market index closes at least 20% down from its previous high. Recession starts when there are two consecutive quarters of declining GDP.

5. Markets are unpredictable, so focus on what you can control.

Market downturns can be painful, especially when they follow a period of strong gains and relatively low volatility. But you have no influence over what the market is doing, so in periods like these it’s important to focus on what you can control. This includes keeping your emotions in check, staying invested and focusing on your financial goals. Over the long term, investing success has less to do with the ups and downs of markets and more to do with how you react to that volatility.

What you can’t control	What you can control
The stock market	Your financial goals
Inflation	Your risk tolerance
Geopolitical events	Your time horizon
Interest rates	How much you invest/save
What people say on twitter	Your emotions (sometimes)

6. What matters isn’t what the market does, but what you do in response.

This one is an extension of #5, but it’s worth reinforcing. Being aware of how your emotions can impact your investment decisions during volatile periods can help you avoid making poorly timed changes to your portfolio (see #2). This is easier said than done, even for professional investors. Ignoring the short-term noise in markets is key. So is sticking to the solid financial plan that you put together with your advisor. It’s what you do – or rather what you don’t do - during these volatile times that can make all the difference.

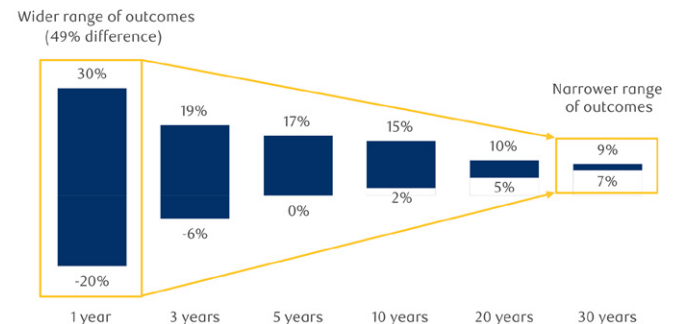
7. Volatility decreases the longer you’re invested.

All investments carry some degree of risk. If you want to earn a higher return on your investment, you have to be willing to accept more risk or volatility. If your tolerance for risk is

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low, then you will have to give up some return to achieve that. Understanding this relationship is a fundamental part of investing. That said, the volatility that comes from taking on more risk in your portfolio tends to decrease over time... especially if you are invested in a well-diversified portfolio (see #1).

Historical odds of earning a positive return increases over time

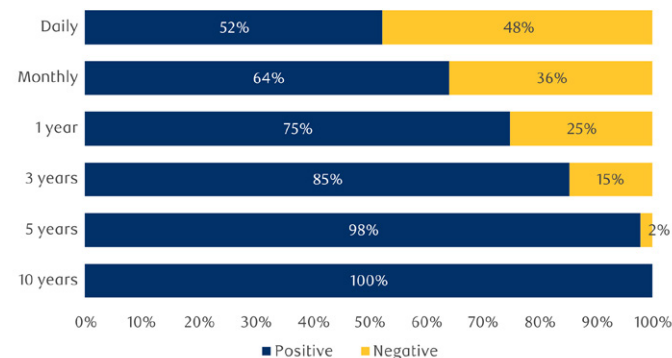


Rolling 1-, 3-, 5-, 10-, 20- and 30-year average annual returns from January 1, 1988 to February 28, 2025. All returns are total returns in Canadian dollars, unless otherwise noted. Diversified Portfolio represented by 2% Cash, 38% Fixed Income, 15% Canadian Equities, 25% U.S. Equities, 15% International Equities and 5% Emerging Markets Equities. Cash represented by FTSE Canada 30 Day TBill Index; Fixed Income represented by FTSE Canada Universe Bond Index; Canadian Equities represented by S&P/TSX Composite Index; U.S. Equities represented by S&P 500 Index; International Equities represented by MSCI EAFE Index; Emerging Markets represented by MSCI Emerging Markets Index. Note: you cannot invest directly in an index. Source: Bloomberg, RBC Global Asset Management.

8. The more frequently you check your portfolio, the more volatile it will feel.

It has never been easier to get up-to-date information on the status of your portfolio. But you must also remember that the more often you check it, the more volatile it will feel. That is because on a day-to-day basis, there is a 50-50 chance that it will have a positive or negative return. So watching your portfolio every day can lead you to think your investments are riskier than they really are. Instead, stay focused on your long-term investing goals and review your portfolio less frequently. This approach can help as the likelihood of seeing a positive return increases over time. It reminds me of an old TV ad: “Just set it, and forget it”!

The volatility of a diversified portfolio decreases over time



Source: Morningstar, RBC GAM. RBC Select Balanced Portfolio, Series A. Daily returns are based on time period of January 01, 2000 to February 28, 2025. All other periods are based on monthly data from January 01, 1987 to February 28, 2025. RBC Select Balanced Portfolio, Series A annualized performance as of February 28, 2025 1Yr: 13.0%, 3Yr: 6.0%, 5Yr: 6.9%, 10Yr: 5.4%. Inception date: Dec 31, 1985. Past performance is not a guarantee of future results.

9. Risk doesn't look like risk when it's earning a return - manage risk, don't avoid it.

It's easy to say that you are comfortable with a higher level of risk when the markets are going up. But some people quickly abandon that sentiment when markets are volatile. That's because the fear of loss can far outweigh the anticipation of gains. Markets are unpredictable, we can't change that fact. But you can manage the risk by diversifying your portfolio (see #1 again) and by focusing on what you can control (see #5).

10. Headlines often focus on the sensational, short term and negative - none of which should matter to investors.

There are always a variety of economic, financial or political events that can give you a reason to not invest. This year is no different. But headlines are designed to grab your attention and shouldn't be cause for alarm or a reason to make sudden changes to your portfolio. Looking beyond the headlines and keeping the previous nine points in mind can provide you with a solid foundation for navigating markets in good times and in bad. In the end, staying on track and achieving your financial goals should be the only thing that matters.

Sarah's new 10 basic truths about investing

1. Diversification is still your most important investment strategy.
2. It's time in the market that matters, not timing the market.
3. Someone's portfolio will always be doing better than yours (or at least they will say it is!).
4. Markets go through up and down cycles, but they have trended higher over the long term.
5. Markets are unpredictable, so focus on what you can control.
6. What matters isn't what the market does, but what you do in response.
7. Volatility decreases the longer you're invested.
8. The more frequently you check your portfolio, the more volatile it will feel.
9. Risk doesn't look like risk when it's earning a return - manage risk, don't avoid it.
10. Headlines often focus on the sensational, short term and negative - none of which should matter to investors.

Back to post-secondary school: RESP withdrawals

School may be out for summer, but it is never too early to start preparing for the coming school year. If the beneficiary of your Registered Education Savings Plan (RESP) has enrolled or is enrolling in post-secondary education, now is the time to use the RESP for its intended purpose. Below we have highlighted the process for a smooth and efficient RESP withdrawal:

1. Let us know that you intend to make an RESP withdrawal.

A member of our team will provide you with the required RESP withdrawal form for your signature.

2. We will need proof of enrollment.

Below are considered valid proof of enrollment documents:

- Enrollment letter from the Office of the Registrar;
- The student's course timetable;
- Invoice or receipt of payment for tuition.

Note that proof of enrollment must...

- ...be sent from the Office of the Registrar, printed on school letterhead, or printed from school's official website;
- ...clearly state the student's name; and

- ...clearly indicate the length of the program.

Educational Assistance Payments (EAP) consist of the government grant and income earned in the RESP. For first year students, the EAP is limited to \$8,000 for the first 13 weeks of full-time enrollment, and \$4,000 for part-time students. After 13 weeks have passed, additional payments can be requested and the \$8,000 (\$4,000) restriction on EAP is removed. Note that the EAP is taxable in the hands of the named beneficiary for the year in which the payment is made. A T4A slip will be issued to the beneficiary in February of the year following the withdrawal.

Congratulations to Andrew Dziamarski

We're thrilled to share that Andrew tied the knot on May 31st, marrying his beautiful wife, Katie. It was a wonderful celebration filled with family, friends, and unforgettable moments.

Please join us in congratulating the newlyweds and wishing them a lifetime of love, laughter, and happiness together!



Equity market 12-month trailing return (for month ending June 30, 2025)

S&P/TSX composite total return index	26.4%
S&P 500 total return (C\$)	14.6%
S&P 500 total return (US\$)	15.2%
DJIA total return (C\$)	14.1%
DJIA total return (US\$)	14.7%
Nasdaq composite price return (C\$)	14.3%
Nasdaq composite price return (US\$)	14.9%

RBC CM Canadian bond market indices 12-month trailing return (for month ending June 30, 2025)

Short-term index	6.3%
Intermediate-term	7.4%
Three-month T-Bill (C\$)	3.8%
Three-month T-Bill (US\$)	4.9%

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