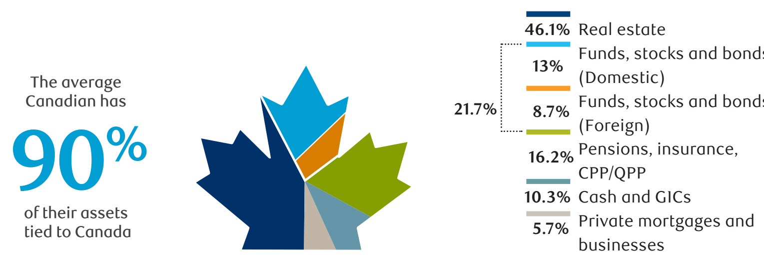
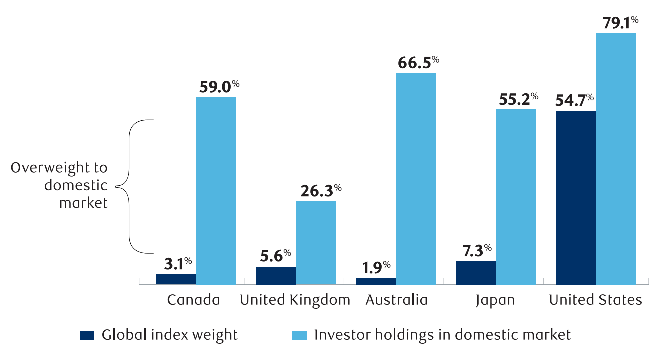
The world of global investing

Canada can be a great place to invest. But many Canadians may not realize just how much of their personal wealth is in Canada or tied to its economy. In fact, the average Canadian has approximately 90% of their total assets in Canada. These assets can include a home, savings, investments, employment income and pensions (both private and government).



Source: Investor Economics Household Balance Sheet Report 2018, data as of December 2017, www.investoreconomics.com/our-services/

Home-country bias by country



Source: Global index weight reflected by country's weight in the MSCI All Country World Index as of May 31, 2019. Investor holdings in domestic market sourced from the IMF, as of December 2014.

When it comes to investing, it's not surprising that many Canadians tend to favour domestic companies whose products and services they are most familiar with. This inclination is called "home-country bias." It is the tendency to invest close to home and is not unique to Canada. In fact, as this chart shows, it is a worldwide phenomenon.

Although investors may feel more comfortable choosing investments that are close to home, home-country bias can leave them at greater risk if their domestic economy falters.

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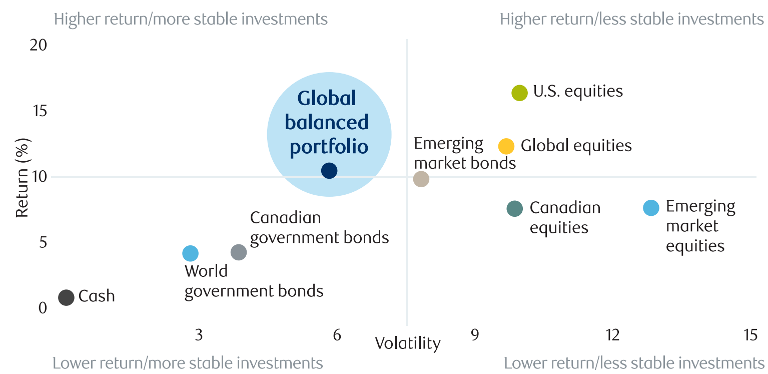
What can you do to overcome home-country bias?

Reduce the impact of home-country bias with one of the fundamental principles of investing: diversification.

An easy way to start is to invest some of the new contributions you make to your investment account(s) in other geographical regions and sectors. By diversifying globally, you may increase your return potential, while also lowering volatility, as the historical chart on the right illustrates:



Source: RBC GAM, Morningstar, as of June 1, 2009 to May 31, 2019. Composition of global balanced portfolio: 35% Bloomberg Barclays Global Aggregate Index (Hedged), 1% FTSE TMX Canada 30 Day T-Bill Index, 4% JPMorgan EMBI Global Diversified Index, 7% MSCI Emerging Market Index, 22% MSCI World Index ex Canada, 30% S&P 500 Index, 1% S&P/TSX Composite Index. Indexes used to represent each of the asset classes shown: Cash = FTSE TMX Canada 30 Day T-Bill Index, World government bonds = FTSE World Global Bond Index (Hedged), Canadian government bonds = FTSE Canada All Government Bond Index, Emerging market bonds = JPMorgan EMBI Global Diversified Index, Global equities = MSCI All-Country World Index, Canadian equities = S&P/TSX Composite Index, U.S. equities = S&P 500 Index, Emerging market equities = MSCI Emerging Market Index. An investment cannot be made directly in an index. The graph does not reflect transaction costs, investment management fees or taxes, which would reduce returns. Past performance is not a guarantee of future results. All performance in CAD.

> "Investing in a globally diversified mix of equities and fixed income can help steer you through various market conditions, including short-term market declines in any one asset class or region"
>
> **Sarah Riopelle**
> VP and Senior Portfolio Manager, RBC Global Asset Management

A broadly diversified global portfolio has the potential to smooth out your investment experience. It can reduce the risk of losses and enhance your potential returns over the long term.

Why RBC Guaranteed Investment Funds (RBC GIFs)?

Growth, protection and security for your future.

RBC® GIFs are a powerful investment solution that can help you grow and protect your assets — for every stage of your life. In a world of uncertainties, they can give you the confidence you need to invest to reach your goals.

To learn more about RBC GIFs and how they can help you reach your goals, please speak with your insurance advisor.

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