

# Guided Portfolio: Large Cap

## *A Consistent Approach to Building and Maintaining Equity Portfolios*

*“To invest successfully over a lifetime does not require a stratospheric I.Q., unusual business insight, or inside information. What is needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework.”*  
– Warren Buffet

### **BRINGING DISCIPLINE TO THE MANAGEMENT OF YOUR EQUITY PORTFOLIO**

The Guided Portfolios are designed to provide a disciplined approach to managing your equity portfolio. The investment process utilizes a combination of “top-down” (economic sector) and “bottom-up” (individual company) analysis to allocate the portfolio in the right sectors and to own the highest-quality companies. The portfolio is focused on investing in companies that score well in a three-discipline (fundamental, technical, and quantitative) ranking model.

By following the process’ guidelines, your equity portfolio will be well-diversified and structured to fit the current RBC Investment Strategy Committee’s economic outlook. Furthermore, you can be confident that your equity portfolio will own companies with attractive business prospects relative to their industries.

### **PORTFOLIO STRATEGY**

The underlying investment strategy is a combination of top-down economic analysis and bottom-up company screening to ensure that the portfolio holds quality companies that have passed a multi-disciplinary screening process. While the portfolio may not always be buying at the “low” and selling at the “high,” it will:

- Own the highest-quality companies that have attractive potential within their peer groups.
- Adapt to meet the current economic and market outlook.
- Diversify holdings across various industries and sectors.
- Provide a decisive course of action when markets turn.
- Deal with developments promptly, taking the emotion out of the decision-making process.
- Reflect RBC Investment Strategy Committee’s assessment of which economic sectors offer attractive potential.
- Establish, monitor, and adjust sector weightings to reflect current and anticipated economic conditions.

### **SECTOR ALLOCATION**

Every quarter, and in some cases more frequently, the RBC Investment Strategy Committee, comprised of senior investment professionals, forecasts key macroeconomic variables, such as expected interest rate moves, economic growth, earnings growth, and prevailing valuations of equity markets. Through this analysis, the committee develops recommended over-weights and under-weights for each of the major industry sectors. These recommendations determine how many companies in your portfolio will be invested in each sector. This enhances your portfolio’s ability to deliver attractive returns long term.



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## *Guided Portfolio: Large Cap, continued*

### **COMPANY SELECTION**

Backed by research from leading North American firms and independent analysis from portfolio managers and analysts, the selection process is based on a multi-disciplinary approach. Each company is assigned a score based on fundamental, technical, and quantitative analysis.

The universe of companies, from which approximately 20 are to be selected for your portfolio, includes only those that score well across all three research disciplines. Confining your portfolio to these companies means that you will own companies with attractive potential within their peer groups. It also gives you the resolve to ride out the inevitable turns in the markets, confident in the knowledge that these companies are likely to weather the downturn and outperform when markets eventually recover.

### **ONGOING MANAGEMENT OF THE PORTFOLIO**

One of the many challenges in managing your portfolio is knowing what to sell and when to sell it. Fortunately, the Guided Portfolios process outlines a clear sell discipline, one that is based on three guidelines:

- *Sector Allocation Adjustment:* The individual performance of sectors and companies in the Guided Portfolio will vary as a result of changing economic and market conditions. The RBC Investment Strategy Committee meets regularly to review current economic facts and adjust portfolio holdings and sector weights, to ensure your portfolio is exposed to the industries expected to outperform, while not being overexposed to industries expected to underperform. This will result in recommendations to buy and/or sell positions and provide a decisive course of action.

- *Management of High-Quality Companies:*

The bottom-up process ensures that high-quality companies that have scored well relative to others are included in portfolios. These companies are monitored on a consistent basis to ensure they meet the high standards necessary for inclusion. Should any company's score deteriorate, it will be removed from the universe. As companies are removed, they should also be sold from your portfolio.

- *Rebalancing:* Sector weightings are established, monitored, and adjusted to reflect current and anticipated economic conditions. As market prices fluctuate, positions can vary in terms of their percentage weighting of your equity portfolio. Positions may need to be rebalanced if their weightings exceed a certain threshold. This rebalancing process ensures your portfolio is not overexposed to any one particular company.

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