

# WISE

An RBC™ Company

# Navigating Through Market Volatility

Tuesday 11 October, 2022 | 10:30am - 12:00pm



Thank you for joining.  
You'll be on silent hold until the event begins.  
Submit your questions for the Q&A by going to [slido.com](https://www.slido.com)

Slido Event Code: #WISE

Slido Passcode: RBC



# Welcome



## **Gina Lum Sang - De Silva**

Area Vice President

Investment Specialists and Private Banking

RBC Royal Bank (Trinidad & Tobago) Limited

# Featured Speakers



**Adrian Manmohan**

Director  
West Indies Stockbrokers  
Limited



**Natalie Mansoor**

Senior Director  
Investment Management  
RBC Investment  
Management  
(Caribbean) Ltd



**Shival Mahabir**

Senior Manager  
Portfolio Management  
RBC Investment  
Management (Caribbean)  
Ltd

# West Indies Stockbrokers Limited

## Client Offerings



An RBC<sup>®</sup> Company



# About Us

- ❖ Established in 1964, WISE, with an average market share of 20% (2010-2022), is the oldest and largest brokerage firm in Trinidad & Tobago. WISE currently has under administration in excess of TTD15 Billion for over 10,000 clients.
- ❖ A wholly owned subsidiary of RBC Financial (Caribbean) Limited, affords WISE the brand stability of Canadian's largest bank coupled with access of top ranked investment research and strategy which makes WISE the top choice.
- ❖ Unparalleled level of Broker-Dealer service inclusive of:
  - ✓ Domestic & International Equity
  - ✓ Domestic & International Fixed Income
  - ✓ Roytrin Mutual Funds
  - ✓ Customised Investment Portfolios
  - ✓ Margin Accounts
  - ✓ Options Trading
  - ✓ After Hours Trading
- ❖ WISE offers execution only services to our clients throughout the region. We take pride in our capabilities, dedicated team and consultative approach to partnering with our clients to create optimal execution solutions to meet their investment needs.

# Margin Accounts

## What Are Margin Accounts?

Margin Accounts increases an investor's buying power since with this type of account your broker lends you cash to purchase securities, using the assets in your account as collateral. This will give you access to a revolving line of credit to manage the growth of your investment portfolio and meet your liquidity needs.

## Benefits Associated With Margin Accounts

- ✓ A multipurpose, **secured, revolving line-of-credit** is a valuable margin lending tool that may enable you to **manage the growth of your portfolio and may also help solve your liquidity needs.**
- ✓ With Margin Accounts, you **can borrow up to 50% of the total purchase price of new or initial securities** purchases when you deposit the remainder in your account (certain restrictions may apply). In other words, this source of funds **means a higher level of investment** than otherwise would be possible.
- ✓ With Margin Accounts, **interest rates are competitive.** There are **no application fees, activation fees, annual fees, filing fees or termination fees.** Further, there is no repayment schedule as long as you maintain the required equity level in your brokerage account. You can also **prepay the principal balance at any time, without penalty.**

# Margin Accounts

## Risks Associated With Margin Accounts

Margin Accounts may not be appropriate for all investors and it is important that you fully understand the risks involved in trading securities on margin, including:

- ❖ You may lose more funds or securities than you deposited in your margin account.
- ❖ Your financial organization may force the sale of securities or other assets in your account(s).
- ❖ Your financial organization can sell your securities or other assets in your account(s) without contacting you.
- ❖ You are not entitled to choose which securities or other assets in your account(s) will be liquidated or sold to meet a margin call.
- ❖ Your financial organization increase “house” maintenance margin requirements at any time and neither is required to provide you with advance written notice.
- ❖ You are not entitled to an extension of time on a margin call.
- ❖ Margin account equity is the current market value of securities and cash less the amount owed for credit extended. Certain levels of equity must be maintained in the account. Additionally, securities valued under a certain dollar amount per share may not be purchased in a margin account.

# Options Trading

An option is a financial derivative that gives:

- Option Buyers **the right, but not the obligation**, to buy or sell a specific security at a specific price on or before the expiration date.
- Option Sellers **the obligation** to buy or sell a specific security at a specific price on or before the expiration date.

WISE offers **Covered Stock and Index Options** which refers to an investor who owns the underlying asset. This type of investor can buy or sell an asset at a stated price within a specific timeframe.

## Benefits Associated with Options Trading

- ✓ An investor **can profit on changes in an equity's market price** without ever having to actually put up the money to buy the equity. The premium to buy an option is a fraction of the cost of buying the equity outright.
- ✓ When an investor buys options instead of an equity, the investor stands to **earn more per dollar invested - options have "leverage."**
- ✓ Except in the case of selling uncovered calls or puts, **risk is limited**. In buying options, risk is limited to the premium paid for the option - no matter how much the actual stock price moves adversely in relation to the strike price.
- ✓ Options can also be used to reduce the risks of losses occurring.
- ✓ **Portfolio diversification**



# Options Trading

## Risks Associated With Options

- ❖ Options are very time sensitive investments. An options contract is for a short period - generally a few months. The buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur in the relevant time period (i.e., before the option expires).
- ❖ Some investors are more comfortable with a longer term investment generating ongoing income - a "buy and hold" investment strategy.
- ❖ Options are less tangible than some other investments. Stocks offer certificates, as do bank Certificates of Deposit, but an option is a "book-entry" only investment without a paper certificate of ownership.

## Fees

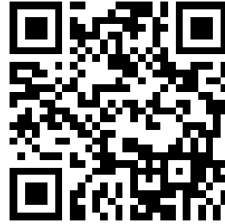
Platform	Commission Rate (USD)
Self-Directed Trades via Netx Investor	\$30 per trade plus \$1.50 per contract
Guided Trades	\$30 per trade plus \$2.50 per contract

## Disclaimer

The decision to select Options Trading is the client's investment decision and WISE provides no advice or guidance. The client accepts the risk of options trading and all the terms and conditions outlined in Pershing's Option Agreement and Approval Form.

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# RBC INVESTMENT MANAGEMENT LIMITED

## UNDERSTANDING FIXED INCOME ASSETS

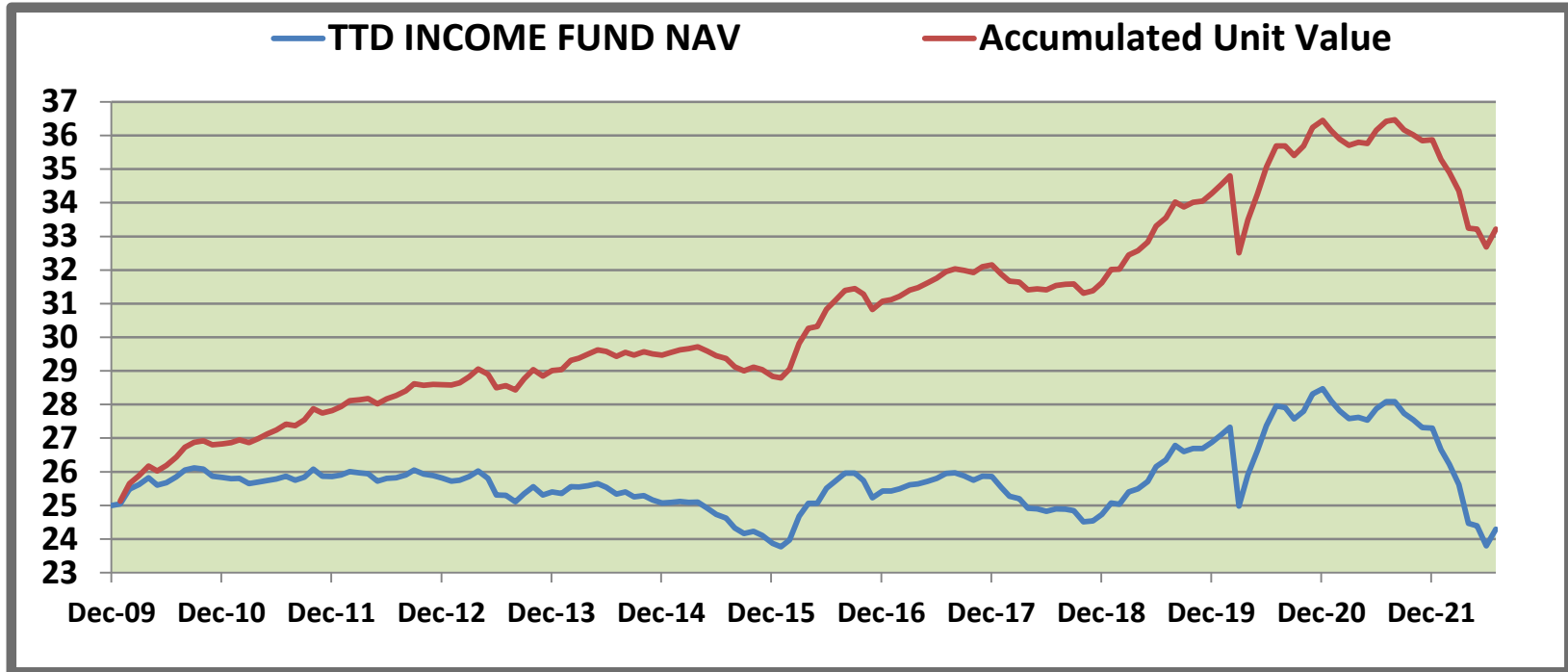


# What Makes Bonds Less Risky Than Equity...?

- ✓ Fixed maturity date
- ✓ Fixed coupon
- ✓ Future cash flows due are known both the amount and timing
- ✓ Future cash flows can thus be discounted to get a current price
- ✓ The discount rate used is what will change based on the level of interest rates
- ✓ Higher interest rates result in lower bond prices
- ✓ Bond price reverts to par as maturity approaches, regardless of the environment



# Income Funds...



# What Are The Risks Involved and How Do You Mitigate...?

## Credit Risk

- Borrower is unable to make interest and principal payments when due

## Inflation Risk

- The effects of inflation will reduce the purchasing power of a bond investor's future interest payments and principal

## Market Risk

- The risk that the effects of the entire market will reduce the value of a bond

## Liquidity Risk

- The ease with which an investor can trade a bond quickly, at a low cost and without altering the bond's price

# What's The Upside????

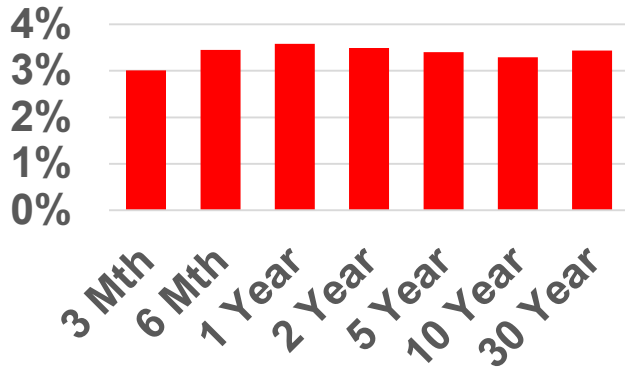
- ✓ Coupon fixed
- ✓ Contractually obligated to pay
- ✓ Payment dates are fixed
- ✓ Interest earned is based on prevailing interest rates at the time of purchase only. Stays the same thereafter until maturity.



# UNITED STATES

## CURRENT YIELD CURVE

- ✓ Flat to inverted curve
- ✓ Reflective of ST inflation expectations



## WHY?

- ✓ In 2022, the yield curve first inverted on April 01<sup>st</sup> 2022
- ✓ U.S. economy achieved negative real GDP growth in Q1 and Q2 2022, but it has not been officially declared that the U.S. is in a recession
- ✓ Inversion is not the norm
- ✓ Historically, the mean time taken for the yield curve to reverse its inversion and resume an upward slope is approximately 1.5 years
- ✓ No benefit for taking additional market risk

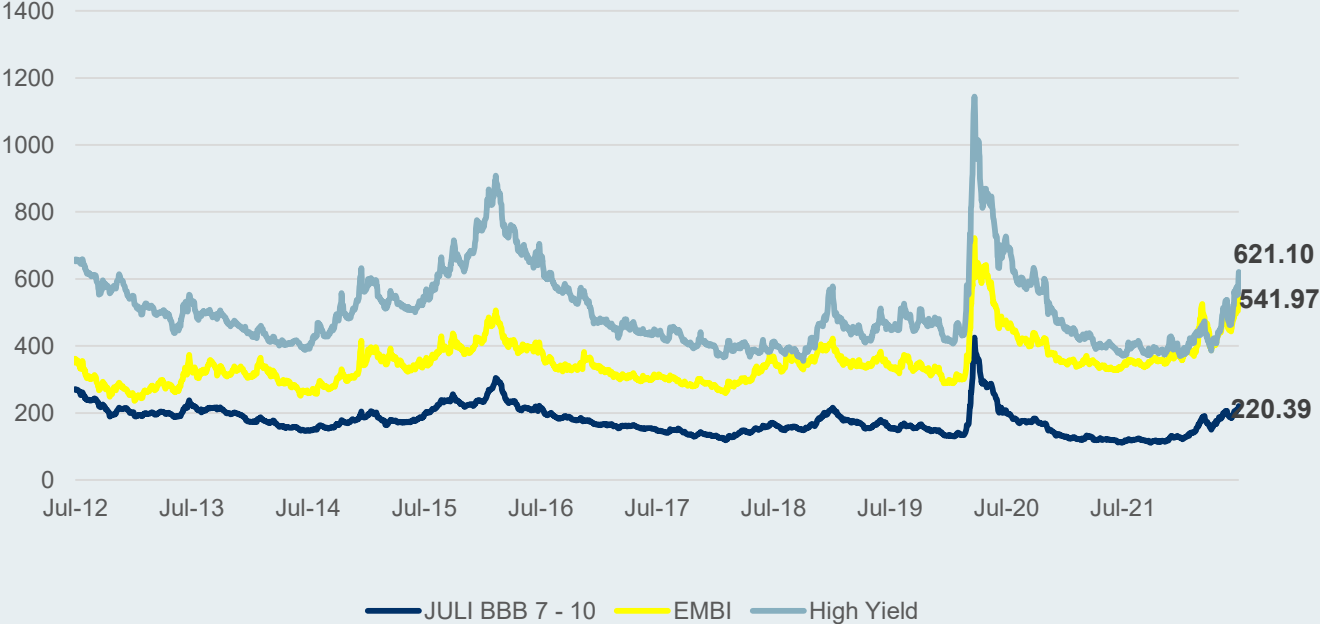


# What Is The Spread...?

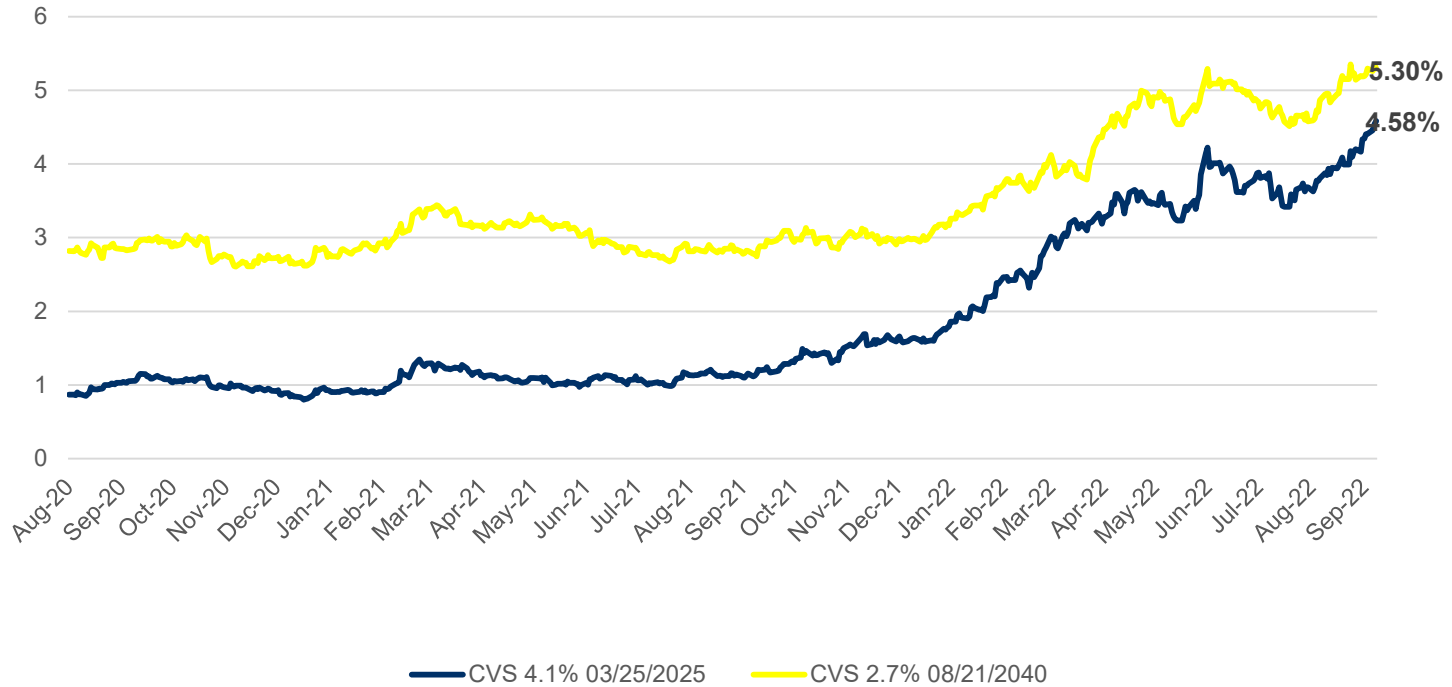
1. Spread is the cost charged for additional risk
  - ✓ Additional credit risk (High rating vs Junk)
  - ✓ Additional market risk (longer tenor vs shorter)
  - ✓ Spread between sectors (cyclical vs non-cyclical)
  - ✓ Spread of Corporate over Sovereign
2. Spreads move constantly as risk is repriced like any other active market

# Bond Spreads

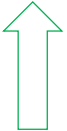
## Corporate, Emerging Market, High Yield



# Short Tenor vs Long Tenor Bonds

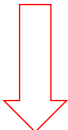
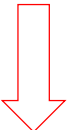


# Some Examples...



Across both Investment Grade and High Yield credits, yields have increased while bond prices have fallen as the Fed funds rate has risen.

Dates	Investment Grade		Non Investment Grade	
	Zimmer Biomet 3.55% 2030		Ball Corp 2.875% 2030	
	YTM (Mid)	Price (Mid)	YTM (Mid)	Price (Mid)
9/30/2020	2.170	111.753	3.005	98.898
9/30/2021	2.279	109.728	3.203	97.485
9/21/2022	5.399	88.727	6.204	79.462



# Recommendations

Security	Price	Yield	Credit Rating
<b>Investment Grade</b>			
ConAgra 0.5% 08/11/23	96.65	4.46	BBB-
Energy Transfer 3.6%, 02/01/23	99.56	4.87	BBB-
Constellation Brands 3.5% 05/09/2027	93.30	5.15	BBB
Wells Fargo 4.3% 07/22/2027	94.75	5.55	BBB+
JP Morgan 3.625% 12/01/2027	92.10	5.39	A-
Netflix 4.875% 06/15/30	92.87	6.04	BBB
Trinidad and Tobago 4.5% 06/26/2030	93.07	5.61	BBB-
Discover Bank 2.7% 02/06/30	80.02	6.11	BBB-
Anheuser-Busch 4.7% 02/01/2036	91.94	5.56	BBB+
Oracle 3.85% 07/15/2036	76.24	6.48	BBB
British American Tobacco 4.39% 08/15/2037	74.62	7.20	BBB+
<b>High Yield</b>			
Colombia 2.625% 03/15/23	98.95	4.92	BB+
Diversified Healthcare Trust 9.750% 06/15/2025	95.16	11.87	BB-

# Beyond 2023...

## Deflationary trends

- ❖ Population decline (U.S., India and Africa will buck the overall trend)
- ❖ The Future of Work (tech, gig/side-hustle, formal/informal unionization, death of retirement, income inequality)

## Major growth opportunity

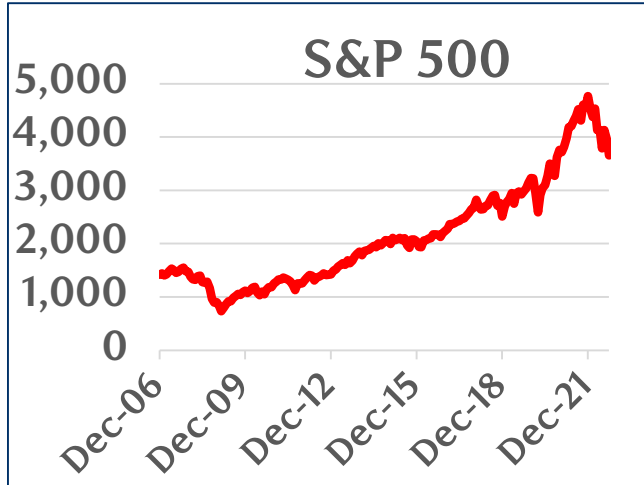
- ❖ Climate Change: isn't just about "going green" – its food and energy independence; access to reliable water supplies; maintenance of "liveability" of cities/regions...

# Bonds Are Very Attractive Now...

- ✓ 1-Year UST over 4% (this is the safest asset in the world)
- ✓ Last saw these IR in 2008
- ✓ LT IR trend is deflation
- ✓ Great in ST if equity risk is too great or for a ST investment horizon
- ✓ Can match tenor with your plans
- ✓ Can invest via a Mutual Fund (liquid, diversified, small initial investment)
- ✓ Can invest directly (greater control over credit and tenor)



# Equity...Patience Will Pay Off



- ✓ Financial crisis top to bottom was -52%
- ✓ COVID-19 top to bottom was -20% but 2020 market was up 16%
- ✓ 2021 gain was 27%
- ✓ Loss so far in 2022 is -24%
- ✓ From 2007 to present S&P up 158% or average 10% per year for last 15.75 years





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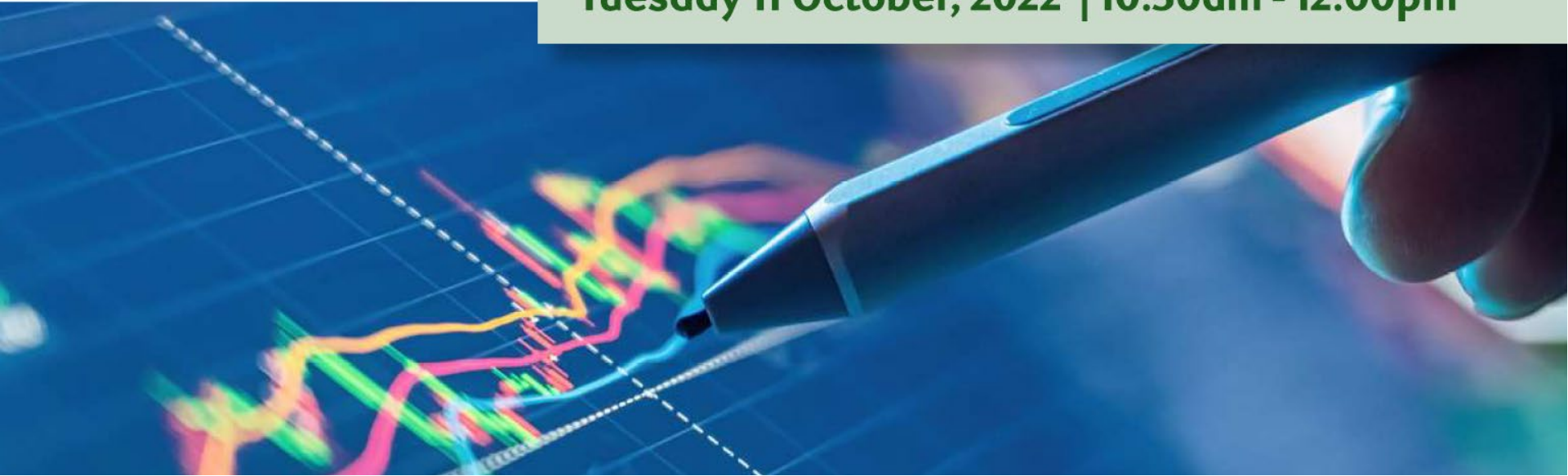


The logo for WISE, featuring the word "WISE" in large, bold, white capital letters on a dark green rectangular background.

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Thank you for joining today!