



RBC Private World Equity Pool

Commentary as at June 30, 2024

Global stocks rose during the first half of 2024 year, with the Information Technology and Communication Services sectors driving returns due to optimism about the spreading use of artificial intelligence (AI). Real estate was the only sector to fall. Inflation eased during the period, prompting central banks including the European Central Bank to lower its benchmark interest rate in June. The Bank of England and the U.S. Federal Reserve also signaled they'd consider lowering interest rates if inflation came down sufficiently.

The portfolio's results were aided by Novo Nordisk, the Danish company whose Ozempic diabetes drug is frequently prescribed for weight-loss therapy. Among companies that benefited from AI applications were Broadcom, which produces microchips; ASML, whose lithography machines are used in the manufacture of advanced computer chips; and Taiwan Semiconductor, whose strong revenue growth was driven partly by demand for AI chips.

Portfolio results were negatively affected by a complete lack of holdings in Nvidia, the leading maker of AI chips, and Meta Platforms, the owner of Facebook and Instagram. Both benefited from excitement linked to AI, though Meta also gained on a sunnier outlook for online advertising. Bristol-Myers Squibb, a pharmaceuticals company, fell on concern about the company's long-term growth outlook. AIA Group, an insurance company focused on Asia, fell from recent highs in April due to a large cash position that limited the firm's investment returns as equity markets rose.

The potential for a recession appears to have receded over the past year, in the view of the portfolio manager, given that central banks appear willing to lower interest rates; that inflation is falling toward central-bank targets in many regions; and that the U.S. labor market is showing continued strength. However, markets are still digesting tumultuous election seasons in France and India, and the U.S. presidential race this year will likely add further uncertainty. Financial-market gains could be muted until the resulting policy implications are clearer.

The "Magnificent 7" stocks were significant drivers of overall market returns in 2023, although some have recently stagnated or pulled back. The portfolio manager remains committed to balancing the risk of a near-term market decline with the long-term growth potential of these stocks. The Fund has, for example, sought lower exposure to AI-related growth through investments in companies involved in semiconductor manufacturing, often in the form of more attractively valued non-U.S. companies.

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