



RBC Private U.S. Growth Equity Pool

Commentary as at December 31, 2023

U.S. stocks recorded strong returns in 2023, driven by a handful of fast-growing technology stocks that dominated large-cap equity indexes. The benchmark's 10 largest companies by market capitalization accounted for about 70% of gains during the year, a historic concentration that created a challenging environment for the Fund's stock-selection process.

The Health Care sector had the most negative impact on the Fund's relative returns during the period. Speculation that a new class of weight-loss drugs would reduce demand for medical devices held back the Fund's investment in Edwards Lifesciences, a maker of heart-valve replacements.

The Fund's investments in the Information Technology sector contributed the most to the Fund's relative returns. Shares of Shopify, the e-commerce platform, aided returns after a strong earnings report and the sale of its division that fulfils online orders. The Fund eliminated the Shopify holding over the period in the belief that the loss of the fulfilment business diminishes Shopify's growth prospects and because the portfolio manager believes the stock was fully valued after the 2023 rally. Adobe, the publisher of software for creating online graphics, contributed to relative returns during the period on optimism that the company's Firefly software would benefit from advances in artificial intelligence.

The Fund added four positions during the period: CoStar Group, which provides data to the commercial real estate industry; Progressive Corp., a property-casualty company that is the largest U.S. auto insurer; Uber Technologies; and, most recently, Veralto, a water-testing instruments maker spun off by Danaher. In addition to Shopify, the Fund eliminated five other companies: Brown-Forman; L3Harris Technologies; Roper Technologies; Estée Lauder; and DexCom.

While the U.S. market's focus on the largest stocks has been challenging, the portfolio manager's focus remains on investing in companies that offer premium growth and that are set up for success over the long term.

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