

RBC Private U.S. Large-Cap Core Equity Currency Neutral Pool



Commentary as at June 30, 2025

Trade negotiations dominated the direction of financial markets during the first six months of 2025. Early optimism that the Trump administration would focus on deregulating the economy gave way to concerns that he would instead implement across-the-board tariffs on U.S. trade partners. U.S. stocks retreated from all-time highs established early in the year after Trump announced the tariffs. The outlook subsequently improved as the U.S. administration reached trade agreements that ensured a worst-case scenario would not unfold. As a result, U.S. stocks returned to new all-time highs. Geopolitical turmoil in the Middle East sent oil prices surging on fears of a wider conflict and instability in the region, but oil prices came back down after tensions eased.

The Information Technology sector supported U.S. equities, while the Consumer Discretionary sector lagged. The U.S. Federal Reserve left its benchmark interest rate unchanged in a range between 4.25% and 4.50% as concerns that the tariff war would spark inflation outweighed worries that the economy was slowing.

The Fund's relative exposure to Tesla, Howmet Aerospace and Meta Platforms had the most positive impact on the Fund's returns, while exposure to Palantir Technologies, International Business Machines and CrowdStrike Holdings was negative for performance.

The sectors that had the most positive impact on the Fund's returns were Industrials, Consumer Discretionary and Communication Services, while exposure to Information Technology, Health Care and Energy had a negative impact.

The Fund had overweight positions in Meta Platforms, Howmet Aerospace and Intuitive Surgical and underweight positions in Palantir Technologies, Tesla and International Business Machines.

At the sector level, the Fund had overweight exposure to Financials and underweight exposure to Industrials, Communication Services and Consumer Discretionary.

The consensus 2025 forecast for S&P 500 Index earnings growth is roughly 8% but is more likely to be 4% if tariffs persist. Profit-growth estimates for 2026 exceed 10%, which also seems optimistic to the portfolio manager. The portfolio manager believes that continued stock gains will require a relatively benign resolution to the trade war and increased productivity stemming from the application of artificial intelligence.

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