

# RBC Private U.S. Small-Cap Equity Pool



## Commentary as at June 30, 2025

U.S. small-cap stocks fell during the first half of 2025 as rapidly evolving U.S. tariff policies crimped consumer demand and corporate profitability, even as employment and inflation data remained relatively positive. The Fund entered the April tariff-related sell-off with a slightly higher-than-normal cash position, enabling the sub-advisor to add stocks that were now attractively valued.

The best-performing sector overall in the Fund was Consumer Discretionary. Among stocks that contributed the most to the Fund's performance was Magnite Inc, which helps companies place online ads. Magnite stock received a boost after Google, the largest seller of online ads, was found by a judge to be illegally monopolizing sales of digital advertising. FARO Technologies, a provider of three-dimensional imaging hardware and software, also performed well. The position, initiated early in the year, paid off after the company agreed to be acquired at a substantial premium.

Materials was the Fund's weakest sector overall. Stocks that held back returns in the portfolio included Globus Medical, a manufacturer of musculoskeletal implants and devices. The company experienced problems across multiple business lines, although the sub-advisor believes the issues are fixable and the Fund continues to hold the shares. Knife River, which supplies construction materials and contracting services, also lagged, hurt by weather-related delays. The Fund remains invested in Knife River as the sub-advisor believes in the long-term potential of the business. Civitas Resources, an oil and gas exploration and production company, struggled due to lower oil prices and weak production growth. The Fund remains invested in Civitas given the sub-advisor's view that the company is starting to benefit from debt reduction and cost controls.

As of June 30, the portfolio is overweight in the Industrials, Materials and Communication Services sector and underweight Health Care, Energy and Financials

Trade policy remains a key macroeconomic consideration for investors. Tariffs are still in force across most goods but at reduced rates while negotiations with major trading partners continue, leaving the scope and timing of any resolution unclear. The sub-advisor is analyzing the potential impact on the portfolio and continues to focus on investing in companies with distinctive strategies that offer attractive returns.

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