

RBC Asian Equity Fund



Commentary as at December 31, 2023

Asian equities registered gains in 2023, driven by strong returns in Japan, South Korea, Taiwan, and India. Japanese stock markets were among the world's best performing in 2023 as efforts to reform corporate governance in recent years continued to contribute to an improvement in shareholder returns. Shareholder proposals led to board overhauls and increases in share buybacks and special dividends.

South Korea and Taiwan benefited from demand for technology hardware used in the development of artificial intelligence. India gained on solid economic growth, relatively benign inflation, a pro-business government, and ample bank credit. China and Hong Kong underperformed as China's economy remained weak given the depressed property market, which dented consumer, and business confidence.

Both of the Fund's holdings had a positive impact on the portfolio's returns, with the RBC Japanese Equity Fund outperforming the RBC Asia Pacific ex-Japan Equity Fund.

Asia's economic growth in developing markets remains solid given stable domestic demand and healthy exports, particularly of semiconductors. Labour market remains healthy, with job gains and steady growth in incomes adjusted for inflation. India, Indonesia, and the Philippines are forecast to be the fastest-growing economies with the region in 2024, while China faces a significant challenge in public confidence, coupled with an aging population and record-high youth unemployment.

Japan's economy enters 2024 against a solid economic backdrop. A mix of loose monetary and fiscal policy, coupled with labor shortages, is supporting Japan's exit from 25 years of low inflation, and wage hikes have been coming through to support consumer spending. The Bank of Japan (the "BOJ") has responded to the rise in inflation pressures and more competitive overseas interest rates by gradually loosening its grip on bond yields and the portfolio manager believes that the BOJ may undertake small rate hikes in the second half of 2024.

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